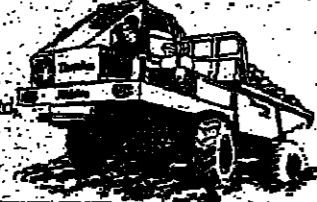


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## NEWS SUMMARY

### GENERAL

#### Nuclear waste go-ahead by U.S.

The U.S. Administration has officially approved the export of another shipment of spent nuclear fuel for Japan for reprocessing at Windscale and at La Hague in France.

The approval, subject to Congressional backing, was given by the U.S. Nuclear Regulatory Commission despite fears that the reactor accident at Three Mile Island might have delayed the granting of Japanese export requests.

The spent nuclear fuel storage capacity of the two Japanese electrical companies is almost full and they might have had to stop operating if export of nuclear waste was delayed. Back Page.

#### Atom leak probe

The Energy Secretary has called for a public inquiry after a report showed that there was a four-month delay before samples from a serious radioactive leak at the Windscale nuclear plant were properly analysed and investigated. Page 4.

#### Interpol alert

Interpol has asked Continental ports to look out for a luxury yacht believed to have been sailed from Guernsey by two brothers wanted for questioning in connection with the death of a water board official in Dunsford, Surrey.

#### Ulster security

A partitioned Ulster soldier was shot dead near Edendork, Co. Tyrone, yesterday as Northern Ireland police began a security round up prior to the General Election. At least 25 Provisional IRA members and sympathisers have been held in Belfast. Page 6.

#### East-West deal

France and the Soviet Union have signed a wide-ranging document pledging to work for East-West détente, but remained divided on disarmament after three days of talks in Moscow. Page 7.

#### Poll 'dead heat'

Early returns in the State elections in Schleswig-Holstein, West Germany, showed the Christian Democratic Government to be dominant in a dead heat with the Opposition Social Democrats.

#### Istanbul curfew

Turkey has called seven trade union leaders to a 24-hour curfew in Istanbul on May Day to prevent workers from holding a rally in defiance of an official ban. Page 3.

#### Suez passage

A fee of \$10,000 has been paid for the Suez Canal passage of the freighter Ashdod, which will be the first Israeli ship to pass through the canal. Page 2.

#### Vorster accused

Dr. Connie Midler, the former South African Information Minister involved in an administration scandal, said he was forced to lie in Parliament on the instructions of Mr. John Vorster, former Prime Minister and now State President. Page 2.

#### Briefly...

Israeli Cabinet has voted to bring in the death penalty for "inhuman terrorist crimes."  
French marine experts rule out serious pollution following the sinking of the tanker Gino off Brittany.  
Spanish Grand Prix was won by Patrick Depailler of France driving a Ligier.  
Fire destroyed nearly half a million bottles of port and brandy in Sandeman stores at Vila Nova de Gaia, Portugal.

### BUSINESS

#### Iran oil exports pegged at 3m. b/d

Iran is confident it can manage this output without foreign experts. Back Page.

A form of nationalisation for Iranian banks, insurance companies and some sections of industry is envisaged in a draft constitution. Page 2.

#### BRITISH PETROLEUM and Shell

have been served with notices requiring them to give Scotland Yard all documents concerned with Rhodesian oil supplies. Back Page.

#### SATELLITE-BASED communications system

will be introduced soon on a number of larger British naval vessels under a £70m contract with GEC subsidiary Marconi Space and Defence. Back Page.

#### POST OFFICE is to try to introduce manual billings

of telephone customers to bypass the effects of the computer workers' strike which has halted the issue of all telephone bills since April 5. Page 8.

#### SHARP RISE in the cost of meat, fresh fruit and vegetables

pushed the FT grocery price index up 1.76 per cent in April. Page 8.

#### UN plans to boost the world's shipping industry

by buying two-thirds of the world's bulk carrier fleet out of business, a report claims. Page 4.

#### NEW SPANISH Government monetary measures

include a brake on foreign credit. Firms seeking funds in the Euro-market will have to make a 25 per cent deposit with the Bank of Spain for 25 per cent of the credit value.

#### EEC and China have postponed the first meeting of a trade committee

which was to have taken place in Peking next month because member States cannot agree on limits for Chinese cotton cloth exports to the Community.

#### FACTORY closures are expected

following over-production of industrial fasteners in western Europe. Page 4.

#### INSURANCE brokers will need to keep at least £1,000 in their working capital

as a condition of official recognition. This is one of the main requirements in an order published by the Insurance Brokers' Registration Council. Page 4.

#### PAKISTAN'S wheat harvest is expected to be in excess of the 9.5m tonne target

and is bound to have a favourable impact on the country's large trade deficit.

#### CONSORTIUM offer for Sir Hugh Fraser's family trust's holding in SUITS

has been defended in the latest round of the SUITS-Lourho battle. Page 30.

#### BABCOCK AND WILCOX

the engineering and contracting combine, was committed to capital expenditure of £43.8m at the end of 1978, compared with £27.9m 12 months earlier, according to the annual report. Page 30.

#### SUN LIFE Assurance Society's total funds, including the proprietor fund and investment reserve, reached £1.01bn

last year. Page 30.

# Times halts first European edition after violence

BY GUY HAWTIN IN FRANKFURT AND JOHN LLOYD IN LONDON

The management of Times Newspapers yesterday abandoned production of the first issue of its European weekly edition. The decision followed three days of violent demonstrations outside the works where it was to be produced.

The halting of production was surprising because West Germany's print trade union, Industriegewerkschaft Druck und Papier (IG Druck), confessed last week that it had virtually no hope of stopping the first edition.

The violence appears to have occurred late on Saturday and early Sunday. Times management said that there were fears of widespread sabotage at the printing works, TER Druckerei, the Zepelinheim-based subsidiary of the Turkish Tergeman newspaper group.

A paraffin-soaked rag had been thrust into a ventilator leading to the machine room and serious damage could have occurred if it had been ignited.

A BBC reporter who had attempted to gain admission to the plant yesterday morning said that he had been physically prevented from approaching it by the demonstrators. A "knife was produced" and his car tyres were slashed, he claimed.

The European edition was planned in order to make the Times available to its international readership in weekly form while the UK paper remained unpublished.

The project was stepped up after a re-launch of Times newspapers, which had been planned for April 17, was abandoned because of a deadlock in negotiations between management and the print union involved, the National Graphical Association.

Mr. Les Dixon, NGA president, said yesterday that Times Newspapers bore a heavy responsibility for any violence which might have occurred.

He said that the NGA would continue to count on the support of IG Druck, and that his union would be instituting an inquiry into the allegations of violence. He is to address representatives of Times journalists today.

Mr. Dixon, who had earlier heard a report from Mr. John Willits, an NGA national officer who returned from Germany on Saturday, said that there was "no way" the union could be associated with violence, and added that he found it difficult to believe that IG Druck would be responsible for violent demonstrations.

"It is astonishing that a paper with the reputation of the Times would give a contract to a company which

employs non-unionised immigrant workers where an extreme right-wing newspaper is printed."

The Times management made its announcement at a hastily-called press conference at a hotel near Frankfurt international airport.

A puzzling aspect of the affair is that the Press were informed of the decision not to print at 11 am, yet a spokesman for the printers said that his company was not informed until 2 pm of The Times' decision.

Mr. Michael Mander, the deputy chief executive of Times Newspapers, and Mr. William Rees-Mogg, editor of The Times, said that it had been decided to abandon printing in Frankfurt because of "criminal violence" by demonstrators at the printing plant.

The decision had been made solely by the management of The Times who felt that the risk to life and property that the print run would entail was unjustified.

A statement issued by The Times management after the Press conference said that the local police were prepared to provide protection for the print.

Continued on Back Page

# Imports take record 56% of British car market

BY ARTHUR SMITH, MIDLANDS CORRESPONDENT

IMPORTED CARS are believed to have taken a record share of the UK market this month. Figures circulating within the industry show that imports accounted for 56 per cent of home sales in the first 24 days of April compared with less than 49 per cent in the same period a year before and 55.2 per cent in March.

A resurgence in Ford sales has taken its share of the market to nearly 33 per cent, but BL Cars dropped back to only 18.3 per cent.

Total UK sales during April seem likely to exceed the 136,000 of 12 months ago and will raise hopes that demand could approach the record level of 1973.

The disturbing factor for the U.K. assembly and component sector is the extent to which importers are consolidating their share of the home market. Contrary to industry forecasts that imports this year would remain fairly stable at around 50 per cent, cars manufactured overseas not only accounted for nearly 54 per cent of sales in the first three months but are continuing their advance.

The good showing by Ford this month must account for some of the growth. Cortinas are being imported from Belgium and West Germany, and Fiats from Spain, to keep pace with demand. Nearly 50 per cent of Ford cars sold in the UK in the first three months of the year were assembled overseas compared with about one-third 12 months earlier.

Chrysler UK, which imports the increasingly popular Chrysler from France, has raised its market share from 7.42 per cent last month to 8 per cent according to the industry estimates.

The upsurge in imports is viewed with some concern in BL Cars, but a senior executive said last night that the company's performance should be viewed in context. He claimed that an incentive scheme to Austin-Morris dealers which closed at the end of March could have pulled sales forward into that month, when BL had 20.8 per cent of the market. An aggressive promotions campaign coupled with some model improvements would boost BL sales for the year as a whole.

BL Cars claimed just over 22 per cent of the UK market in the first quarter against a target for the year as a whole thought to be around 25 per cent.

# Economic activity recovers

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE LEVEL of economic activity appears to have recovered quite sharply from the effects of the industrial disputes and of bad weather at the beginning of this year. This is suggested by a variety of new retail sales and business opinion data.

However, there is uncertainty about whether the upturn merely represents a temporary catch-up, and hence about the underlying level of demand.

The latest figures from the department stores and food shops of the John Lewis Partnership indicate a rise of nearly 23 per cent in the value of sales in the four weeks to April 21 compared with the same period of 1978. Over the last couple of months the rise has been nearly a fifth.

This could be explained both by a reduction in the level of personal savings from previous

high levels and by the impact of large back-payments of wages as a result of delayed pay deals.

The Confederation of British Industry monthly trends inquiry published at the beginning of the month reported "a significant pick-up in demand and output expectations, reflecting some catching up after the disputes."

The results of the more detailed quarterly survey are being collated and are due to be published at the end of next week. Meanwhile, reports from industry suggest an upturn in activity, though possibly only of a temporary nature.

A revealing indication of the thinking of business is provided by the latest ITEM forecasts by an independent group using the Treasury's forecasting model of the economy. The business members of the group from big companies supply the judgments

required for the economic projections rather than officials.

The ITEM commentary notes that these business members believe that temporary factors were dominant in the slowdown in the economy over the winter. Consequently, a strong recovery of manufacturing output has been built into the projections for the spring and summer of this year. This is similar to the response of the economy after the three-day week in 1974.

This bounce-back has been imposed on the forecasts on the basis of the members' experience with their own order books which showed few cancellations as a result of the winter's problems. Moreover, there may also be a delayed response to last year's increase in demand. But this may merely defer industry's difficulties until 1980.

Big foreign currency inflows

Back Page

# Fed move to tighten interest rates

By David Lascelles in New York

TRADING IN the key Federal funds market in the next few days is expected to show by how much the Federal Reserve Board has decided to tighten credit.

For the first time in more than four months, the Fed drained reserves from the market in the closing hours of last week to nudge interest rates up from the 10 to 10 1/2 per cent level where they have stood since December 20.

The characteristically secretive move had been expected by the market for some days. But Mr. William Miller, Fed chairman, is likely to be criticised for his handling of these latest moves.

Market analysts have estimated the Fed's new minimum target range to be 10 1/2 to 12 1/2 per cent. The maximum should become clear when the Fed intervenes at its new upper limit. However, most market economists believe the Fed wants only a mild tightening, possibly to about 10 1/2 per cent.

# Thatcher sure unions would help Tories

BY RICHARD EVANS, LOBBY EDITOR

MRS MARGARET THATCHER expressed her conviction yesterday that trade union leaders would work with a Conservative Government in spite of renewed attempts by Labour leaders to warn of the inevitable conflict that would follow a Tory victory in Thursday's General Election.

In a speech to Conservative trade unionists in London, Mrs. Thatcher avoided an emotive attack on the unions. She concentrated instead on the vital role they would have to play in the country's economic recovery if the Tories gained power.

"When the dust settles, when the excitement of electioneering dies away, there is work to be done, and the union leaders will work with a democratically-elected Government as they have done in the past. Of that I am confident," she said.

Although the remarks were carefully tailored for her trade union audience, they followed a tactical decision reached yesterday by Mrs. Thatcher and her campaign managers against changing course for the three remaining campaigning days.

The evidence of the opinion polls continues to be contradictory, but Conservative leaders are confident that they still have a sufficient lead to gain an overall majority on Thursday.

They believe a change of strategy at this stage, which could only mean a more strident approach, would be counterproductive.

A survey in 100 key marginals in England—where the election will be won and lost—showed a Conservative lead of 13 per cent over Labour, one point up on a week ago. The figures were Conservatives 53 per cent, Labour 40, Liberal 7. This gives a swing of 6 per cent to the Tories since the last General Election.

The poll against this trend was by Research Services in the Observer. This showed a substantial Tory lead of 15 per cent, but a big fall of 7 per cent over the week.

The private poll of Conservative Central Office are still showing a lead sufficient to give a working majority.

Mr. David Steel, Liberal leader, made a plea last night in his last television party political broadcast before the election for a substantial number of Liberal MPs to ensure that neither major party had an overall majority.

Election News Page 6  
Party games with capital taxes Page 29

# Conflicts

Their view remains that the issue of the trade unions and their relations with the Government will benefit the Conservatives after the industrial unrest of the winter.

But this is not the opinion of Labour leaders, and Mr. Denis Healey, Chancellor, did his utmost yesterday to warn the electorate of the conflicts that would follow a Tory victory.

He told the shop workers' conference at Eastbourne that Mrs. Thatcher took pride in her attitude of extreme and unrelenting hostility to the "destroyers" in the trade unions. She openly rejected consensus, and gloried in confrontation.

"It is clear that if she won the election, the British people would be in for a re-run of their disastrous experiences under the last Conservative Government, when Mr. Heath tried to improve industrial relations by facing union negotiators with

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# OVERSEAS NEWS

## Iran 'to take over' banks and insurance

By Simon Henderson in Tehran

A FORM OF nationalisation is envisaged for Iranian banks, insurance companies and certain sectors of industry in a draft of the country future constitution published in a Tehran newspaper at the weekend.

The banks and insurance companies would come under the umbrella of a single government authority which would supervise their activities.

The Government would also be responsible for nationalisation of key and heavy industries. Foreigners would only be allowed to work in Iran if the National Assembly decided the tasks were necessary and important.

No claim of complete authenticity has been given for what was published, but Mr. Haj Sayeed Javadi, Interior Minister, said yesterday it was an amalgam of known views of the constitution.

The new Islamic constitution to replace that of the Shah's dynasty is being drafted in secret.

Its publication has been postponed indefinitely because political difficulties are believed to have arisen over regional autonomy and the Sunni Moslem minority.

The published draft says separatism is out of the question and non-Shia Moslems will be able to lead their lives in accordance with the principles of their own sects. The religions of Zoroastrians, Jews and Christians will also be recognised.

The document has, however, a strong Islamic complexion. Article six is quoted as saying that the slogan of the Islamic Republic is "the best people are the most pious."

The courts will be run according to Islamic law, and religious leaders will appoint representatives to ensure that no anti-Islamic law is passed. The country's religious leader, at present Ayatollah Khomeini, would be the final arbiter.

Neither leftists nor rightists would be allowed to stand for the National Assembly.

## GISCARD AND BREZHNEV SIGN NEW ACCORDS

# New life for Paris-Moscow detente

BY ROBERT MAUTHNER

THE SOVIET UNION and France have given a fresh impetus to their "special relationship" with the signature in Moscow of a programme for the development of detente and a new 10-year economic programme, spanning the period 1980-90.

The documents, along with others covering the scientific, technical and cultural co-operation, were signed by Mr. Leonid Brezhnev, the Soviet leader and M. Giscard d'Estaing, at the end of the French President's three-day official visit to the Soviet Union.

Although M. Giscard d'Estaing described the meeting as "the most useful" he had had with the Soviet leader since he became President in 1974, and although Mr. Brezhnev said the Soviet Union had every reason to be satisfied with the outcome of the talks, it was clear that Paris and Moscow continue to disagree on a number of important problems.

The main bones of contention remain the two countries' different policies on disarmament, both in the nuclear and conventional fields; and their attitude towards China. Mr. Brezhnev failed to convince his visitor either to conclude a non-aggression pact with the Soviet Union "under which both countries would undertake not to be the first to employ nuclear weapons," or to participate in eventual SALT 3 talks which would deal with medium- and short-range nuclear weapons stationed in Europe.

M. Giscard d'Estaing, on the other hand, made little progress in gaining the Soviet leader's support for a Pan-European disarmament conference on conventional weapons. However, a somewhat vague phrase in the detente programme indicates that the French proposal has not been rejected out of hand.

The most concrete results of the Franco-Soviet discussions on detente were the decision to hold bilateral summit meetings once a year and the undertaking to co-ordinate the two countries' policies in all situations which threatened world peace.

And the 10-year economic co-operation programme complemented by a separate agreement covering the period 1980-1985, again provides for a tripling of trade between the two countries over the first five years of the next decade.

Its main emphasis is on industrial co-operation and the conclusion of long-term agreements between French companies and Soviet trade organisations. Although the annexes to the agreement, giving details of specific joint projects, have not yet been published, the document lists the areas which offer the best prospects for co-operation.

These include new sources of energy, energy-saving equipment, transport equipment, electronic products including computers, machinery and machine tools, metals chemicals and petrochemical products.

The agreement specifies that French companies and banks will take part in the building of industrial complexes in the Soviet Union and that similar Soviet institutions will take part in industrial projects in France.

A special feature of the agreement is that French companies providing equipment, licences and credit for the building of factories in the Soviet Union will be partially or totally reimbursed by the products manufactured by the new industries.

France and the Soviet Union have also agreed to grant each other credits for these joint projects "on the most favourable conditions possible." But the precise credit terms were not revealed.

## Call for tanker crash inquiry

BY TERRY DODSWORTH IN PARIS

FRENCH NAVAL authorities seemed almost convinced last night that no significant coastal pollution will result from the sinking of the Liberian-registered oil tanker, Gino, off Brittany.

41,000 tonnes, went down after collision in fog with the Team Castor, an empty Norwegian vessel.

The two vessels were moving in roughly opposite directions, about 25 miles to the west of Brittany, and well outside the new advisory shipping lanes recently established by the French and UK authorities to control traffic.

Observers are puzzled that the tankers met almost head on in an area where shipping is required to give constant warnings of position.

The Gino had also reported to the Brest authorities that it was due to enter the traffic-controlled zone.

The position of the accident means that neither captain can be pursued under the new French law, passed this year, to punish alleged navigational negligence in the Channel.

Questions are bound to be asked again about the surveillance of Channel shipping, particularly in the area of Brittany, which has suffered a series of accidents in the past few years.

## Threat to Rhodesia Parliament

BY TONY HAWKINS IN SALISBURY

FRICITION between and within Rhodesia's domestic black nationalist parties this weekend cast a shadow over the successful one-man-one-vote elections.

The Rev. Sithole, leader of ZANU, repeated his threat to boycott the country's new Parliament because of what he calls "gross irregularities" at the polls.

Mr. Sithole has not been able to substantiate his accusations. But even after the Election Supervisory Commission had reported on Friday that it had no evidence of irregularities, the ZANU leader said that without an independent commission of inquiry his party would refuse to take up the 12 seats it won at the poll.

This means that the 12 seats would remain vacant until the

next election since under the system of proportional representation, there is no provision for by-elections.

At the same time, Chief Jeremiah Chirau, leader of Zupo, whose party failed to win a seat at the election, has come out against the poll, saying he wants the existing four-party transitional Government to be maintained.

The Chief has always argued that the elections in themselves would solve nothing, and that they must be followed by an all-party conference with the external Patriotic Front.

To add to the difficulties of the new Government to be established by Bishop Muzorewa at the end of May, Mr. James Chikerema, the Bishop's deputy leader, decided to revive his

personal attacks on the Bishop, whom he has again accused of "tribalism and nepotism" in the selection of candidates for the elections.

Mr. Chikerema appeared to be sounding a warning to the Bishop that in his Cabinet—the Bishop will be able to choose nine Ministers—he should take account of all tribal groups in the country.

Despite the attacks on the elections by the Rev. Sithole and Chief Chirau, political observers here are convinced that Bishop Muzorewa will press on with implementing the agreement appointing a Cabinet from his own ranks and including six Rhodesian Front supporters from Mr. Smith's party and two from Chief Ndiweni's United National Federal Party.

## Israeli ship for Suez as Sinai talks go on

BY L. DANIEL IN TEL AVIV

TWO FURTHER steps were taken yesterday toward the normalisation of relations between Egypt and Israel. While a freighter was heading up the Gulf of Suez to become the first Israeli vessel to pass through the Suez Canal for 25 years, the joint Egyptian-Israeli military committee was meeting in Sinai to discuss moves towards Israeli withdrawal from the peninsula.

Meanwhile the Israeli Government approved by a majority of one a proposal by Mr. Menahem Begin, the Prime Minister, to permit the military prosecutor to demand the death sentence in trials involving terrorism of extreme brutality.

Five ministers voted against the proposal, including Mr. Ezer Weizmann, the Defence Minister, and superhawk Mr. Ariel Sharon, Minister for Agriculture. One Cabinet member abstained.

The freighter, the Ashdot, left Israel's Red Sea port of Eilat and is expected to join the north-bound convoy through the canal due to leave at 6 am this morning.

Its final destination is Haifa where it is to join the Mediterranean services of Zim, the Israeli shipping line.

The joint military committee, which is to supervise the Israeli pull-back from Sinai, met for the first time yesterday morning to discuss a programme of work, most of which will be carried out by sub-committees.

These will deal with the various military and civilian aspects of the withdrawal including the handover to the Egyptian authorities at noon on Friday, May 25, of the town of El Arish and the surrounding area. The committee is due to meet there on May 6.

The Israeli Cabinet is due to meet again today to consider proposals for a ban on public construction work, other than housing, so as to free manpower for the work connected with redeploying Israeli forces in the Negev and moving Israeli settlements from Sinai.

AP adds from Tehran: Iran is considering severing diplomatic ties with Egypt. Deputy Prime Minister Abbas Amir-Entezam said yesterday.

## Mulder 'forced to lie' to MPs

By Quentin Peel in Johannesburg

DR. CONNIE MULDER, the former South African Minister of Information, disgraced because of maladministration in his department, claimed yesterday he was forced to lie to Parliament on the instructions of Mr. John Vorster, the former Prime Minister, now the President.

He also claimed that a plan to buy the Washington Star newspaper for \$10m had been approved by a three-man Cabinet committee consisting of himself, Mr. Vorster, and Dr. Nico Fiederichs, the late President and former Minister of Finance.

Mr. Pik Botha, South African Foreign Minister, and Mr. Chris Heunis, Economic Affairs Minister, met their counterparts from Botswana, Lesotho and Swaziland in Mbabane, in what is seen here as an attempt to launch talks on the "southern African alliance." South Africa is seeking to establish.

## China-Vietnam conflict may spread

By K. K. Sharma

THE CONFLICT between China and Vietnam now threatens to spread to other countries in Indo-China.

Laos has asked the U.N. to intervene to protect it from armed attacks from China. Vietnam has rejected the counter-proposal made by China last Thursday on normalisation of relations between the two countries.

The Laos development is of immediate significance, since Vietnam has long been complaining of a Chinese military build-up on its borders.

It has followed allegations of border clashes with a serious charge that Chinese troops have now occupied a large provincial town.

The U.N. will almost certainly not be able to respond to the Laotian appeal, since Peking has a veto in the Security Council.

There is now an uneasy lull, but at least Vietnam—and almost certainly China—is making open efforts for renewed fighting.

## Curfew in Istanbul

BY METIN MUNIR IN ANKARA

A TOTAL curfew is to be imposed in Istanbul, Turkey's largest city, on May Day, in a bid to prevent political violence.

This was announced yesterday, less than 24 hours after seven leaders of the Confederation of the Revolutionary Trade Unions of Turkey (DISK), were arrested for defying the Istanbul Martial Law Command's ban on May Day rallies.

Under the martial law curfew, people were ordered to stay off the streets from midnight yesterday to 5 am on Wednesday.

The moves indicate that the military are now following a tougher policy in their bid to establish law and order in Turkey, where political violence has become endemic, and a threat to democracy.

Gen. Necdet Urgun, Istanbul's martial law commander, said the curfew was "against the possibility, however slim, that conditioned, irresponsible people who have blackened their minds and their hearts to the extent of revolting against State authority, may stage certain activities."

open fire on curfew violators and Gen. Urgun ordered people not to approach the soldiers "closer than 30 metres."

Passengers arriving at Istanbul's Yesilkoy airport during curfew hours will have to wait until arrangements are made to take them to their hotels. Ships will not disembark passengers until the curfew ends.

Mr. Abdullah Basturk, DISK's chairman, Mr. Kemal Nebioglu, the deputy chairman, Mr. Fahmi Isiklar, the secretary-general, and four other DISK executives were taken into custody during a raid on the Confederation's Istanbul headquarters yesterday.

Sixteen Istanbul unions belonging to DISK were also raided and searched, and about 100 other union members taken into custody.

If charged, the union leaders face trials by military tribunal and could theoretically remain in jail until the case is over.

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March 1979

WORLD TRADE NEWS

Kuwait power contract goes to Deutsche Babcock

BY LESLIE MITCHELL IN KUWAIT

DEUTSCHE BABCOCK and the Kuwait Ministry of Electricity and Water will shortly sign a 73.6m Kuwaiti dinar (£129m) contract, under which the West German company will provide eight boilers for the 550m Doha West power station/desalination project.

Babcock, said by observers to be the favoured company, a chance to tender its bid at a more satisfactory price. Tenders for the original bids closed in August of last year.

Ministers awarded the boilers contract in early April to Deutsche Babcock. It was the only company in the running.

EEC sends trade protest to U.S.

By Our Washington Correspondent

THE OFFICE of the U.S. Special Trade Representative has received a complaint from Mr. Wilhelm Haferkamp, EEC Commissioner for External Affairs, that U.S. legislation implementing the GATT agreement may not have a sufficiently stiff injury test accompanying the counter-vailing duties clause.

Mexico's GATT dilemma

BY WILLIAM CHISLETT IN MEXICO CITY

A HEATED public debate is emerging over whether Mexico should join GATT with parts of the private sector and the left united in their opposition to membership—though for different reasons.

A delegation from the Mexican Commerce Ministry was in Geneva last week for another round of talks over the country's possible membership and is understood to have made substantial progress.

No major problems are foreseen in the accession negotiations, and it is expected in Geneva that Mexico would join GATT concurrently with the end of the Tokyo Round negotiations, if it can overcome opposition at home.

Energy co-operation with France

By Terry Dodsworth in Paris

THE THREE-DAY Mexican trade mission to France has ended with the development of further links between the two countries in the energy field.

A statement issued in Paris said that the French oil industry, PEFEX, the nationalised Mexican oil company, are to collaborate on a research project to develop materials which will allow a reduction in the lead content in petrol.

At the same time, the head of the French Atomic Energy Commission is to visit Mexico to investigate progress on the deal to supply the country with French nuclear technology.

£250m Brazil aircraft deals

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

TWO BRAZILIAN airlines are planning purchases of U.S. and European airliners worth \$500m (about £250m).

Varig, the country's flag airline, will buy six U.S. McDonnell Douglas DC-10 Series 30 jets, worth \$322m, for use on its routes between Brazil and the U.S. and Europe.

Engines and the modifications to the aircraft. The new engines will cut fuel consumption on the DC-8s by 20 per cent, as well as save the U.S. Government's stringent new noise regulations.

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Japan's motor exports rise

TOKYO—Japan's exports of assembled vehicles in March rose 14.9 per cent to 382,166 from 341,293 in February but fell 11.7 per cent from 443,882 in March last year.

delivery planned between June, 1980, and June, 1982. Although the airlines are privately owned, the contracts were authorised last week by the Brazilian Air Force Ministry, responsible also for civil aviation, as required under Brazilian law.

The Flying Tiger decision follows the recent decision by United Air Lines of the U.S. to spend \$400m (£200m) on putting the CFM-56 engine into 30 of its D-8 airliners.

World Economic Indicators

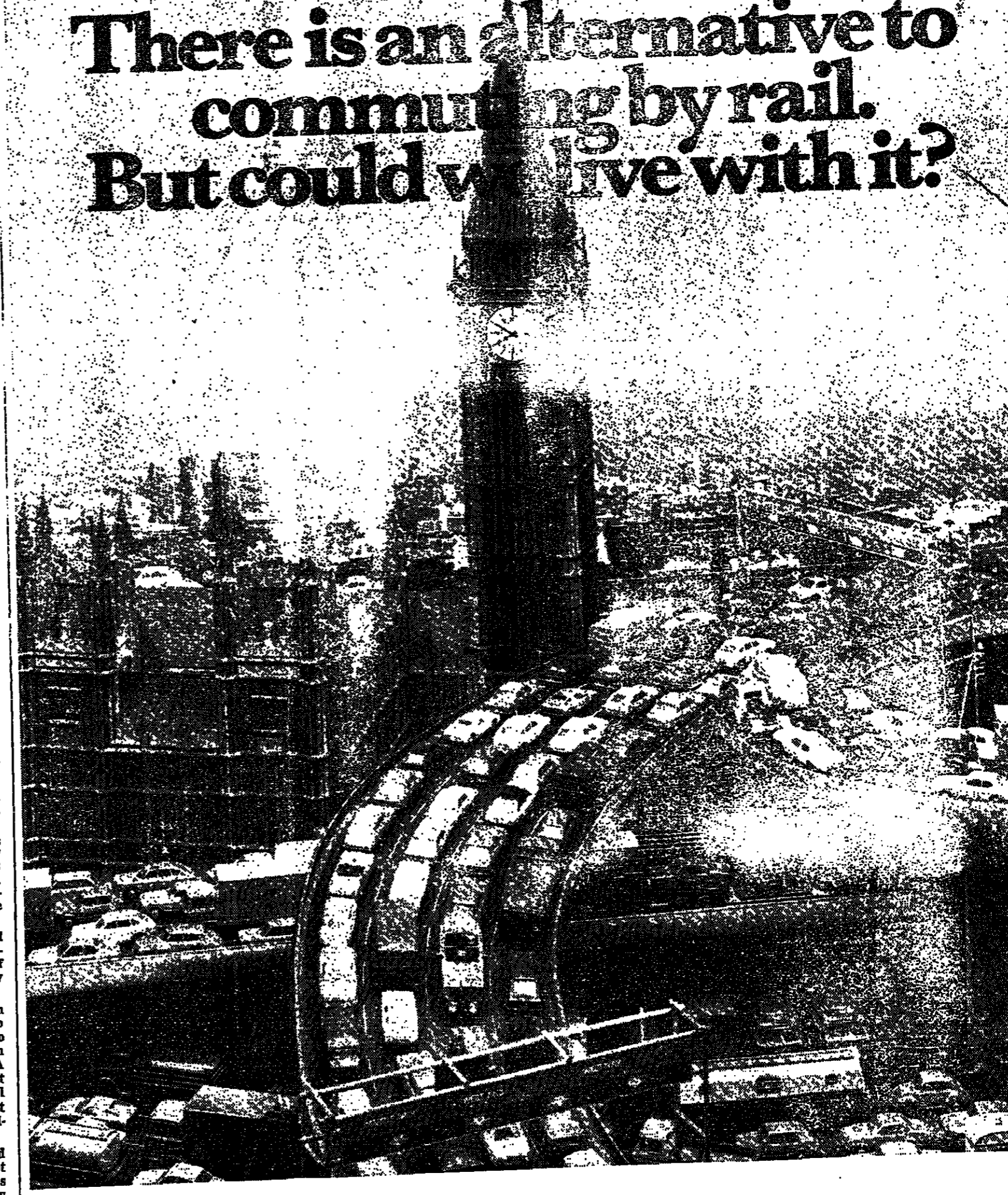
Table with columns for UNEMPLOYMENT (April 79, March 79, Feb. 79, April 78) and rows for UK, Holland, U.S., W. Germany, France, Belgium, Japan, Italy.

COMPANY NOTICES

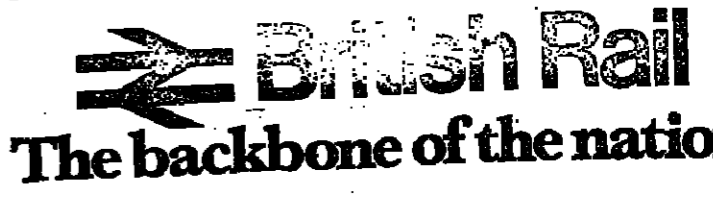
NESTLÉ S.A. Cham and Vevey (Switzerland). THE 112TH ORDINARY GENERAL MEETING OF SHAREHOLDERS is to be held at 3.00 p.m. on Thursday, 17th May 1979, at the "Palais de Beaulieu" LAUSANNE (SWITZERLAND).

SHIPPING REPORT

Gulf active in mixed market. By Lynton McLain. THE ACTIVE chartering market for tankers in the Gulf was countered last week by a decline in freight rates on trades from West Africa and the Mediterranean.



There is an alternative to commuting by rail. But could we live with it? Every working day, 400,000 people travel in and out of London by British Rail. But there is an alternative. Like Los Angeles, we could rely entirely on roads instead.



The backbone of the nation

UK NEWS

Surplus of fasteners may close factories

BY ROY HODSON

PRODUCTION of too many industrial fasteners in Western Europe is expected to force a number of factories to close. Mr. C. P. Richards, chairman of the British Industrial Fasteners Federation, warns in his annual report that the surplus of nuts, bolts, screws, washers, and rivets is now so great that structural changes in the European industry are inevitable. He says the economic case for thousands of tonnes of identical fasteners originating in many different places in the EEC and then being transported around Europe is hard to justify apart from its benefit to the transport industry. Mr. Richards believes that UK companies must expect market activity in fasteners to worsen in the foreseeable future. He also suggests that some sectors of the industry may need to consider what action to take in view of the poor outlook. Production of fasteners in Britain has been reduced during the past few months by the running-down of two GKN fastener works in the Midlands with a view to eventual closure. GKN says cheap imports have forced it to close the two factories at Smethwick and Darlaston with a loss of about 250 jobs. The Association of Stainless Fastener Distributors says that foreign products can be shipped into Britain at prices as much as 20 per cent below home producers' prices. Once GKN withdraws from part of the UK market, only three smaller makers will be left. Over-capacity in European fasteners production is linked with poor demand for fasteners from the manufacturing industry and general engineering. The British Industrial Fasteners Federation has asked the Government to consider sufficient protection for the British industry to ensure it keeps between 85 per cent and 90 per cent of the home market. The federation's eight-point action plan calls for controls on cheap fastener imports, and protection against European manufacturers who obtain steel materials at unfair prices. A European Industrial Fasteners Institute formed recently is intended to speak in future for all European fastener trade organisations. It will be putting pressure on Common Market Ministers and officials in the coming months to save the industry from further deterioration.

Disabled seek more jobs

GOVERNMENT action on rising unemployment among disabled ex-Servicemen was demanded at the weekend by 200 delegates at the annual conference in Birmingham of the British Limbless Ex-Servicemen's Association. The delegates were concerned at the failure of the Government, nationalised industries and local authorities to fulfil their obligations within the terms of the Disabled Persons (Employment) Act 1944. They also sought a levy on defaulting employers. Mr. Charles Dunham, general secretary of the association, said: "The disabled should not be treated as second-class citizens."

Silver Jubilee Appeal projects receive £2.83m

A TOTAL OF £2.83m has been given from the Queen's Silver Jubilee Appeal to over 2,000 projects involving young people in voluntary community service in the year since the appeal closed. With £13.63m left, the Queen's Silver Jubilee Trust is encouraging people under 25 to apply for a grant to "start or develop schemes which help others." The projects which so far have received cash range from £3,725 given to a London group to establish a community radio service using a spare Rediffusion channel, to a Lancashire scheme to teach dog-grooming to young volunteers so they can provide a free service for pensioners' pets. The scheme received £200. Revenue tax deposit certificates accepted under the terms of the prospectus of August 29, 1978, go up today from 11 1/2 per cent to 12 1/2 per cent. Prestcold talks CONSULTATIONS between the Department of Industry and the National Enterprise Board will take place this week over the draft directive from Mr. Eric Varley, Industry Secretary, instructing the NEB to take over Prestcold from its parent company, BL. North Sea deficit THE North Sea sector of the economy may continue to be in deficit for the foreseeable future, Mr. Christopher Johnson, economic adviser to Lloyds Bank, says in the bank's economic bulletin.

Belvoir coal plan criticised by consultant

GROUPS OPPOSING the National Coal Board's plans to develop a 7m tonnes a year mining complex in the Vale of Belvoir, on the Leicestershire-Northinghamshire border, have claimed that a consultant's report will say that the NCB's methods are "highly suspect." The groups—the Vale of Belvoir Protection group and the Vale of Belvoir Parish Councils Committee—have retained consultants to help elaborate a case against the NCB. The preliminary inquiry starts on May 8. "Our consultants have identified 18 primary and 30 secondary issues which we believe the inquiry will have to examine very thoroughly," the groups said yesterday.

Windscale leak report reveals four-month delay

BY JOHN LLOYD

A REPORT on a serious leak of radioactive material at the Windscale nuclear plant has shown that four months passed between the taking of a sample showing high radioactivity, in an unused part of the plant, and the proper analysis and assessment of the sample leading to an investigation. Mr. Anthony Wedgwood Benn, the Energy Secretary, for whom the report was prepared, has called for a public inquiry. Speaking to Action, West London, Labour Party on Saturday night, he said that the Windscale leaks must be a cause of "considerable concern." "When full laboratory analyses of the isotopic contents of the sample became available, it was recognised that the activity must have come from liquor arising from fuel which had been removed from a reactor within the last three years." These results "were assessed by senior management on March 15 and an immediate investigation was started." It appears that the cause of the leak was a small amount of radioactive liquor diverting itself from its main route through a now unused distributor. The report concludes that the contamination should be allowed to remain where it is, with provisions made to control its flow in the groundwater if necessary. However, the report, written by Sir John Hill, chairman of the Atomic Energy Authority, stressed that "there is no evidence to suggest any present or likely future hazard to the workforce or the public." Mr. Benn had asked the Nuclear Installations Inspectorate whether Windscale should have been closed, but had been advised against doing so. He said that "if at any time the nuclear inspectorate advise me that it is necessary, I shall issue orders to the effect at once." Sir John's report, presented to Mr. Benn on Saturday, traced the leak to a borehole—number 63 of some 200—which was used to monitor radioactivity. The higher levels of radioactivity which were recorded in November, 1978, were at first thought to be due to the retention of elements from a spillage which had occurred 25 years ago.

Working capital rule for insurance brokers

BY ERIC SHORT

INSURANCE BROKERS will need to have a permanent margin of at least £1,000 in their working capital to retain official recognition and the right to trade under the title of insurance broker. This is one of the main provisions for the accounts and business requirements for registered brokers contained in an Order published at the weekend. Under the Insurance Brokers (Registration) Act 1977, anyone wishing to trade as an insurance broker and use the title has to register. Registration will be granted only if certain requirements regarding experience, integrity and financial solvency are fulfilled. This latest order sets out the requirements as to working capital, the excess of assets over liabilities and the preparation and submission of accounts and the keeping of accounting records. Brokers will also have to keep a special insurance broking account, colloquially known as a client account, with an approved bank and with investment held only in approved short-term assets. Effectively this account is for the holding of money paid by a client to meet insurance premiums and the intention is to keep it separate from other money used in the broker's business. The approved banks cover the clearing banks, Trustee Savings Bank and National Girobank, while the approved assets cover secure liquid forms of investment. This account has to be in funds at all times. No advance can be given on it, except under special circumstances. The order also sets out the form of the preparation of the accounts to be submitted. The Insurance Brokers Registration Council (Accounts and Business Requirements) Rules Approval Order 1979 (SI 1979/408).

Job-change 'pensions penalty' warning

By Christine Moir

THE FUTURE of the occupational pension movement could depend on the solutions it finds to the problem of preserving the pensions of workers who move jobs before retirement age. Sir Alec Atkinson, the Second Permanent Secretary of the Department of Health and Social Security, has warned. "A dangerous disillusionment could set in which people who have changed their jobs during their working life see how much lower their retirement pensions are than those of workers who stayed in one job all their lives," he told the annual conference of the National Association of Pension Funds in Edinburgh. The pension funds had to find a solution to the dual problems of preservation and transferability of pensions. The introduction of the micro-processor would increase the level of mobility in industry, and it was unrealistic simply to suggest that workers take into account their reduced pension prospects when they negotiate a new job. As much as 50 per cent of all job moves might be involuntary, and the movers would be in no position to negotiate strong new pensions. The topic of preserving pension values was returned to on several occasions during the conference. Mr. Michael Pilch, the incoming association chairman, agreed that it would be one of the major issues during his term of office. "Nonsense" More work was needed to ensure that job movers could be sure of transferring their pension rights from employer to employer, he said, but it was "dangerous nonsense" to believe that all that was needed was legislation on transferability. Discussion of such legislation "distracts attention from the real nub of the problem which lies in maintaining the value of the preserved pension that has been earned to date." However, "improvements in benefits for people who leave schemes before retirement age have a price tag attached to them." Pressure for improvements in this area should come from workers, trade unions and employers. But all these groups were more concerned with current benefits and the problems of those who had left only a low priority. Mr. Robert McDonald, president of the Federation of Actuaries, also warned that transferability and preservation — or the lack of them — could become convenient government whipping boys.

UN plan 'threat to British fleet'

BY LYNTON McLAIN

TWO-THIRDS of the UK's bulk carrier fleet could be put out of business by United Nations proposals to boost the third world's shipping industry — according to a report in today's Lloyd's Shipping Economist Journal. Britain's fleet of supertankers could also be hit—and cut to half its present size—the report says. The report studies the likely effects of proposals to be put before the fifth session of the United Nations Conference on Trade and Development to be held in Manila in May. The UNCTAD secretariat calls for "equitable participation" by the developing nations in the transport by sea of oil and other bulk cargoes. This would lead to a "massive upheaval" in the structure of the world's maritime industries, the journal says. The report's findings are based on returns from Lloyd's Register of Shipping and Lloyd's of London and involved the tracking of all the ships of the five leading shipping nations last year. The analysis assumes that the UN proposals will be similar to the secretariat's liner code which has already been proposed and was criticised by Britain as a means of sharing cargo on regular liner shipping routes. This calls for cargo sharing on the basis that 40 per cent of trade between two countries is carried by each of the participants and the balance by third countries. Greece would lose 90 per cent of its tanker fleet if the proposals for cargo sharing are applied to total trading between nations. France, with a much smaller merchant fleet, would lose 15 per cent of its tanker fleet, but its bulk carrier fleet would not be affected. But the report also says that the developing nations may have problems in building up their bulk fleets to share in trading as suggested by the secretariat. Finance would be the biggest problem. One group, however, the Organisation of Petroleum Exporting Countries, would have the necessary political, commercial and financial power to bring about change, the report says. Consumers in the west would have to pay more for goods if the secretariat's proposals are accepted in full and implemented by all parties. Petrol would rise by 1p a gallon and grain, ore and coal would also be affected.

J. C. Bamford plans U.S. plant move

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

J. C. BAMFORD is planning to assemble excavators in the U.S. following its entry into that market three years ago. Although a site has not yet been selected, the southern states are emerging as the most attractive location, and the company hopes it will be assembling within two or three years. The decision to consolidate its U.S. commitment means JCB is no longer interested in Aveling Barford, the construction equipment group which BL has put up for sale. JCB has faced considerable difficulties in penetrating the American market. In its first year—1976—it sold only 50 machines. Since then, the company has built up a distributor network in roughly half the country and last year they took 1,000 machines. "The U.S. is by far the biggest market for construction equipment. JCB decided, therefore, that it was essential to break into this market at some stage, and this is something that its firm home base has enabled it to do. The privately-owned company has not revealed how much it has lost in setting up in the U.S., but Mr. Anthony Bamford, chairman, says that the venture is now profitable. It has now appointed 63 U.S. dealers and has service and parts operations in Baltimore and Dallas. MR. DEREK REDWOOD, chief Press officer at British Steel Corporation from 1974 to 1978, died this weekend after a short illness. He was 45. A former newspaper news agency and magazine journalist, Mr. Redwood joined the Press office of the Gas Council in 1960, later becoming its deputy chief Press officer. He moved from there in 1968 to British Steel, initially as deputy chief Press officer. He leaves a widow and two children.

OBITUARY

Derek Redwood

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One man's feud with the State

NEWS ANALYSIS — THE NEB'S HIGH COURT ELECTRONICS BATTLE

BY JOHN ELLIOTT AND MAX WILKINSON

BEHIND the High Court battle over the National Enterprise Board's £8m computer peripherals deal with the Control Data Corporation (CDC) of the U.S. lies a long-running feud involving a 65-year-old individualistic entrepreneur who dislikes the idea of State intervention in industry.

He is Mr. Stanley Grundy, who nearly 40 years ago founded what is now a family-owned Teddington-based group of a dozen engineering companies with over 2,000 employees and a £35m a year turnover. One of the companies he started is Data Recording Instrument (DRI) which became a National Enterprise Board subsidiary in 1976 and is now to be the UK partner in the £8m computer peripherals deal. Grundy (Teddington) still holds 18 per cent of the equity and is taking High Court action to try to stop the deal going ahead. As a result, the exchange of contracts between DRI and CDC has been delayed, pending a resumed hearing today.

Arguments

The arguments in court turn essentially on the rights of Grundy as a minority shareholder. But the case is important for other reasons, both because it has blown up during the general election campaign, and because of the future of independent computer equipment companies of Europe. A Conservative victory at Thursday's general election could cast some doubt over the future of the deal, although it is now at an advanced stage of finalisation. Clearly a Conservative Industry Secretary would come under some pressure to intervene in a row where the businessman who founded a company is now objecting to the way it is being run by a State holding company which the Conservatives are pledged to run down. Since Mr. Grundy makes no secret of his fervent political views and is president of the Twickenham Conservative Association, there can be little doubt that today's court hearing is unlikely to end the row. Politics apart, the proposed deal is significant because of the double challenge of U.S. corporate strength and spectacular advances in technology being faced by European computer equipment companies. DRI is the largest independent manufacturer of disc memory units in Europe. Its

sales have been increasing steadily and its products have a high reputation for quality and performance. In 1976-77 it made a profit of £315,000 but ran into a £385,000 loss in 1977-78. If it continued in its present form it could probably increase sales and establish a profit in the current year. So why does the NEB think it necessary to spend a further £8m setting up a joint venture in which CDC's contribution will be mainly know-how rather than capital? One answer is simply to look at the size of the two companies. Last year, DRI's sales were about £23m, of which probably about £17m represented disc drives. By contrast, Control Data's computer revenues in 1977 are estimated to have been \$1.5bn (£750m) or more than 30 times the total revenue of DRI. CDC's sales of peripheral equipment probably amounted to about \$500m, so that even in the sector of the industry in which DRI specialises, CDC is 10 times larger. This difference in size would not matter so much in a more stable technological environment. But in the computer industry, and particularly in magnetic storage devices, all companies have to run very fast just to keep in the same place. About seven years ago, for example, a large 14-inch magnetic disc was capable of storing about 6m computer words (bytes) of information. Today it is possible to buy discs the same size which will store 50m bytes, and storage of 100m bytes per disc is technically possible. Companies like DRI can hope to survive only if their research and development can move extremely fast to enable them to keep up with developments in their own technology and at the same time fight off the threat from entirely new products. DRI's competitors in the US include seven major companies with revenues of more than

\$1bn, of which IBM is far the largest and CDC is the second in disc drive production. A large number of high technology smaller companies follow along in the slip-stream of the industry leaders, and a highly competitive micro-electronics industry waits in the background. It is clear, therefore, that DRI does not have the resources of money or engineering manpower to keep its products competitive. It also needs to increase its volume of production to very much more than the present 7,000 to 8,000 units a year if it is to keep its prices low enough to match the Americans. CDC will provide the extra production volume by transferring some of its own products to the joint venture company which will manufacture equipment for CDC to sell under its own name in Europe. It will also contribute the expertise to allow DRI to develop a successor to its present leading disc drive, the Series 4000, which it manufactures under licence from Diabolo of the U.S.

From the Grundy point of view, however, the tie up with CDC means that a British company, which could make its way in the world on its own, is being traded with the Americans in such a way that its future may be jeopardised. But it is the more personal views of Mr. Stanley Grundy and the history of the NEB involvement in DRI that complicates the issue. Mr. Grundy has never been happy since DRI was taken over by the NEB, even though he realised at the time that it was the best solution for the company's liquidity problems. At that time, he was not willing or able to pump cash into DRI from his main holding company, Grundy (Teddington), which has no outside shareholders. (All investment is funded from the Grundy group's profits although there is one other joint venture with the public sector—a stainless steel

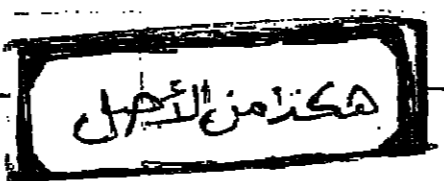
car exhaust factory set up in Ebbw Vale jointly with the British Steel Corporation.) Mr. Grundy's first contact with the NEB followed an application he made in 1973 to the then Conservative-run Department of Trade and Industry for a £2m loan. He needed this money to boost financial help he was already receiving from the National Research Development Corporation.

The company's liquidity problems were worsened by the three-day week in the winter of 1973-74, and it needed help urgently. Talks continued while Labour won the February, 1974, election and set up the NEB. Then Industry Department civil servants sent Mr. Grundy to their new-born State holding company and DRI became the NEB's first acquisition. Boardroom skirmishes, most recently about the NEB's representation on the DRI Board, have continued for the past three years and have crystallised over the CDC link-up. They have involved the National Research Development Corporation, which has one seat on the Board, and which has itself had considerable reservations about the details of the CDC deal. But it eventually has agreed to back the tie-up on the condition that, once the deal is finalised, its 24 per cent stake in DRI is bought by the NEB.

Offered The NEB also offered 15 months ago to buy out the 15 per cent Grundy stake but Grundy apparently preferred to remain involved, partly in the hope that the value of his shareholding might improve. Now he sees the prospect of it being diluted by the CDC deal and is highly critical of the NEB for the way it has monitored DRI's affairs and for the management it has injected. By coincidence, therefore, the row over the CDC deal has brought the tortured relationship between the NEB and a self-made, paternalising entrepreneur into the open during the general election campaign.

On the one hand there is the NEB trying to do its job of helping an important high technology company with 1,200 employees survive and grow into the 1980s. On the other there is Mr. Grundy who believes in private, not State, enterprise and who dislikes the way that Britain's State holding company is handling the affairs of one of his old companies.

Metro-Cammell congratulates London Transport on the opening of the Jubilee Line and offers best wishes for any future extensions. Metro-Cammell Ltd Birmingham, England. World's foremost suppliers of Metro, Rapid Transit and Urban trains and Systems.



UK NEWS

LATEST INFLATION ACCOUNTING STANDARDS

Draft calls for mandatory guidelines

THE TEXT of the proposed standard accounting practice is rather brief in comparison to previous documents. It states: "This accounting standard applies to the annual financial statements of the following entities:

A—All companies (other than those in paragraph B (iii) below) having a listing on the Stock Exchange for any class of shares or loan capital.

B—All other entities where the annual financial statements are intended to give a true and fair view of the financial position and profit or loss except for the following:

- (i) Entities (or a group of entities) with a turnover of less than £5,000,000 per annum.
- (ii) Wholly-owned subsidiaries of companies registered in the UK or Republic of Ireland. This exemption does not apply where the parent company is exempted under (iii) below. Where this is the case the group accounts of the holding company should include current cost information in respect of such subsidiaries (not themselves exempted under (iii)) if their combined turnover exceeds £5,000,000 per annum.
- (iii) The following types of entity:
  - (a) Insurers;
  - (b) Property investment and dealing with the exception of such companies which hold the properties of another entity within the group to which this standard does apply; and
  - (c) Investment and unit trusts.
- (iv) Entities whose long term financial objective is other than to achieve an operating profit; examples of such entities are charities, building societies, friendly societies, trade unions and pension funds.

Calculating

Annual financial statements of companies coming within the scope of the standard should include, in addition to historical cost accounts, current cost accounts prepared in accordance with the procedure set out in paragraphs 33-40. The current cost accounts should contain a profit and loss account and balance sheet, together with explanatory notes, disclosing the information set out in paragraphs 41-45.

When calculating the current cost operating profit and the current cost profit attributable to shareholders, the following procedures should be adopted:

- (a) The current cost operating profit should be derived by making the following main adjustments to historical cost trading profit (before interest) to provide for the impact of price changes on the net operating assets\* of the business:
  - (i) A depreciation adjustment to allow for the difference between the value to the business\* of the fixed assets consumed in the period and the depreciation charged in the historical cost accounts.
  - (ii) A cost of sales adjustment, to allow for the difference

THE LATEST guidelines for inflation accounting, issued today by the Accounting Standards Committee in Exposure Draft 24, originate from the "Hyde" guidelines published 18 months ago.

The draft proposes that, with the certain exceptions such as insurance and property investment companies, the standard should be mandatory for all listed

companies and for other entities with an annual turnover of £5m or more.

By contrast, present Hyde guidelines are voluntary. In line with Hyde, however, the new draft states that annual company accounts should retain historical cost information, and the current cost accounts should be a supplement.

The main technical differences between ED24 and Hyde is that ED24 introduces a "monetary working capital adjustment" which charges the current cost profit and loss account with the cost of maintaining working capital in current cost terms instead of just maintaining stocks.

ED24 also calls for a current cost balance sheet and for current cost earnings per share to be shown by listed companies.

Principles

The treatment within the current cost profit and loss account of gains and losses on asset disposals, extraordinary and exceptional items, prior year items, income from associates, group consolidation adjustments and the translation of foreign currencies, should where practicable, be consistent with the principles of CCA as explained in Part 1—Explanatory Note.

Where this is impracticable the treatment adopted should be disclosed in a note to the current cost accounts.

The taxation charge in the current cost accounts should be based on the principles set out in SSAP15 Accounting for Deferred Taxation.

Assets and liabilities should be included in the balance sheet as far as practicable, on the following bases:

- (a) Land and buildings, plant and machinery and stocks subject to a cost of sales adjustment—at their value to the business.
- (b) Investments in associated companies—either at the applicable proportion of the associated company's net assets stated under this standard and allowing for goodwill paid on acquisition computed in accordance with CCA principles or, where such information is not readily available, at directors' best estimate thereof.
- (c) Other investments (excluding those treated as current assets)—at directors' valuation. Where the investment is listed and the directors' valuation is materially different from mid-market value, the basis of valuation should be disclosed.

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The current cost operating profit should be derived by making the following main adjustments to historical cost trading profit (before interest) to provide for the impact of price changes on the net operating assets\* of the business:

- (i) A depreciation adjustment to allow for the difference between the value to the business\* of the fixed assets consumed in the period and the depreciation charged in the historical cost accounts.
- (ii) A cost of sales adjustment, to allow for the difference between the value to the business\* of the stock consumed in the period and the cost of stock charged in the historical cost accounts.
- (iii) A monetary working capital adjustment, to allow for the effect of price changes on the monetary working capital\* needed to support the operating capability.

Each of these adjustments may be positive or negative.

Where a proportion of the assets of the business is financed by net borrowing, a gearing adjustment is required in arriving at the current cost profit attributable to shareholders. This should be calculated by:

- (a) Determining the proportion of the net operating assets which has been financed by net borrowing; and
- (b) Multiplying the total of the charges or credits made to allow for the impact of price changes on the net operating assets of the business by the proportion determined at (a).

A debit balance on the capital maintenance reserve should be shown as a deduction from the total of capital and reserves and not charged to the profit and loss account.

The current cost profit and loss account should show:

- (a) The current cost operating profit or loss;
- (b) The gearing adjustment and interest/income relating to the net borrowing on which the adjustment has been based;
- (c) Share of current cost profits or losses of associated companies;
- (d) Current cost profit or loss before taxation and extraordinary items;
- (e) Taxation;
- (f) Current cost profit or loss before extraordinary items;
- (g) Extraordinary items; and
- (h) Current cost profit or loss (after tax) attributable to shareholders.

Reconciliation

A reconciliation should be provided between the current cost operating profit and the profit or loss before charging interest and taxation as shown in the historical cost accounts

giving the respective amounts of the following:

- (a) Additional depreciation adjustment;
- (b) Cost of sales adjustment;
- (c) Monetary working capital adjustment and interest relating to monetary working capital, where appropriate; and
- (d) Other material adjustments made to the historical cost accounts when determining current cost operating profit.

The adjustments for cost of sales and monetary working capital may be combined if, owing to the method of calculation, they cannot be separately identified.

The current cost balance sheet (which may be in summarised form) should show the group's assets and liabilities on the bases required by this standard. It should be supported by summaries of the fixed asset accounts and the capital maintenance reserve.

Valuation

The notes attached to the current cost accounts should indicate the bases and methods adopted in arriving at:

- (a) The valuation of fixed assets and the depreciation thereof;
- (b) The valuation of stock and work in progress and the cost of sales adjustment;
- (c) The monetary working capital adjustment;

(d) The gearing adjustment;

(e) The basis of translating foreign currencies and dealing with gains or losses arising; and

(f) Other material adjustments to the historical cost accounts.

Listed companies should show the current cost earnings per share for the current and corresponding period. It should be based on the current cost profit attributable to equity shareholders before extraordinary items. In other respects the calculation should be consistent with that used in the historical cost accounts.

A company which is a holding company of a group and which is required to produce current cost group accounts in accordance with the principles set out in this standard but need not produce current cost accounts for itself as a single company.

In all accounts prepared in accordance with this standard, corresponding amounts for the preceding period should be stated. They should normally be included at the same figure as shown in the previous period's accounts.

For the first year for which current cost accounts are prepared, corresponding amounts need only be included if they are readily available.

Existing standards issued for use with historical cost accounts apply to current cost accounts except where a conflict exists caused by the conceptual difference between the systems. The accounting practices set out in this standard should be adopted as soon as possible and regarded as standard for annual financial statements relating to accounting periods starting on or after January 1, 1980.

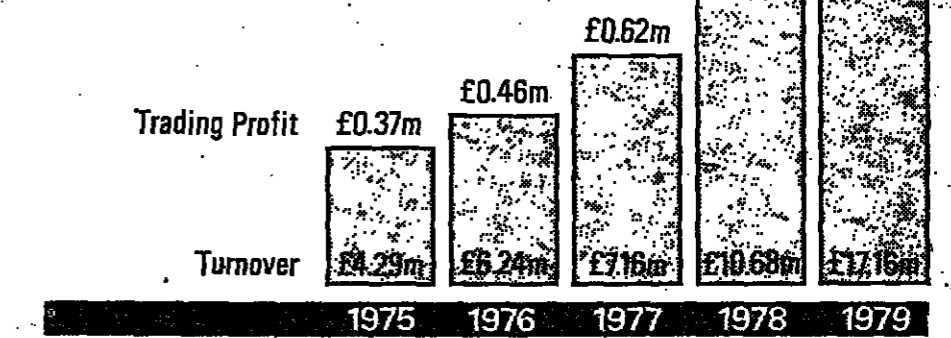
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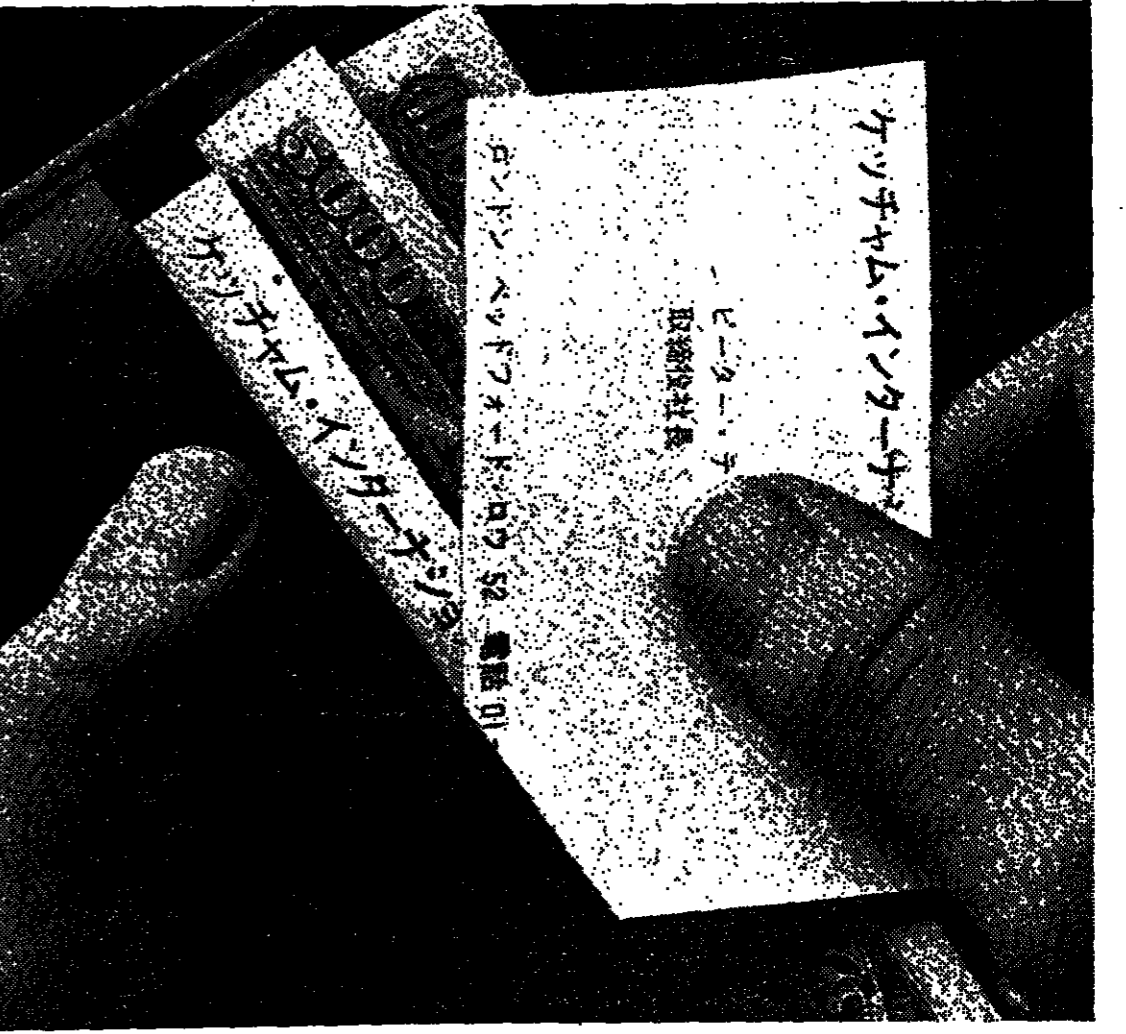
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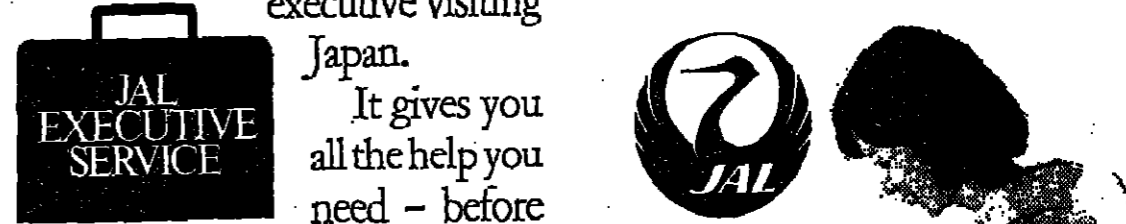
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Company \_\_\_\_\_

Views wanted on £5m limit

THE Accounting Standards Committee believes there is an urgent need for an accounting standard. It proposes that the standard should be effective for accounting periods beginning on or after January 1, 1980, although this date would be kept under review in the light of the comments received.

Interested parties are urged to submit their comments as soon as possible—at the latest by October 31. In particular, views will be welcomed on the monetary working capital requirement, the turnover limit of £5m and the problems of practice of 2:1 ratios.

The exposure draft says that while the proposed standard applies only to annual financial statements, it is hoped that current cost information will eventually be included in other statements such as interim accounts, preliminary results and prospectuses.

It continues: "In spite of years of study and debate the problem of price level accounting has not reached an agreed solution in any part of the world

at this stage. Therefore, the notes do not form part of the standard. The draft proposes that the standard should apply to all listed companies and other entities with a turnover of £5m

or more (subject to some exceptions). The £5m threshold coincides with the threshold defining larger companies in the EEC Fourth Directive on company law.

(except perhaps in one or two areas of hyperinflation where the differences between various systems of accounting pale into insignificance). "There is no perfect solution to the problem and many alternatives have attractive features. The aim has been to provide a practical and workable standard which will represent a real move forward in the evolution of the subject."

While the exposure draft is brief and confined to a statement of the principles of the current cost accounting system and disclosure requirements, separate guidance notes are also included. These suggest practical methods intended to help companies implement the standard.

The guidance notes are not mandatory, as the Accounting Standards Committee holds the view that flexibility is necessary

EXAMPLE OF PRESENTATION OF CURRENT COST ACCOUNTS

Y Limited and Subsidiaries		Group Current Cost Profit and Loss Account for the year ended December 31st, 1980.	
1979	£'000	£'000	£'000
16,000	Turnover	20,000	
2,420	Profit before interest and taxation as in the historical cost accounts	2,900	
	Less Current cost adjustments (Note 2)	1,510	
1,100	<b>CURRENT COST OPERATING PROFIT</b>	1,390	
340	Gearing adjustment	370	
180	Interest	200	
160		170	
1,260	Current cost profit before taxation	1,560	
610	Taxation	730	
	<b>CURRENT COST PROFIT ATTRIBUTABLE TO SHAREHOLDERS</b>	830	
650	Dividends	430	
250	Retained current cost profit for the year	400	
21.7p.	Current cost earnings per share	27.7p.	

Y Limited and Subsidiaries Summarised Group Current Cost Balance Sheet as at December 31st, 1980.

1979		£'000		£'000		£'000	
7,130	Assets Employed:	7,130		8,530			
	Fixed assets (Note 3)						
3,200	Net current assets:	3,200		4,000			
700	Stock and work in progress	700		800			
(1,000)	Trade debtors less trade creditors	(1,000)					
	Other current liabilities (including taxation)						
		2,900		3,800			
		10,030		12,330			
	Financed by:						
3,000	Capital and reserves:	3,000					
1,180	Issued share capital	1,180		3,030			
3,900	Capital maintenance reserve (Note 4)	3,900		4,300			
	Retained profit						
		8,080		10,330			
	Loan capital	1,950		2,000			
		10,030		12,330			

Where applicable other relevant items not shown in the above balance sheet should be presented in a manner consistent with the historical cost accounts.

Labour-unions link restored, Healey says

BY PHILIP BASSETT, LABOUR STAFF

LABOUR'S RELATIONSHIP with the trade unions suffered a serious setback in the winter's industrial trouble...

that it could and must tell them what sort of increases were needed to bring inflation down to a jointly agreed target.

The electorate, in deciding which way a government should deal with industrial relations, had a choice of relying on the force of law under the Conservatives or the force of argument with Labour.

Mrs. Thatcher took pride in her attitude of "extreme and unrelenting hostility" to what she called "the destroyers in the trade unions."

Mr. Healey, speaking to the annual conference of the moderate Union of Shop, Distributive and Allied Workers at Eastbourne, acknowledged the criticism of some of the winter's action...

"We had a damaging setback last winter—damaging for the British people and damaging above all for the Labour movement. Too many negotiators fell for the seductive arguments which Mrs. Thatcher was using to attack common sense in pay negotiations."

Mr. Healey, whose speech was greeted with a standing ovation and a verse of the Red Flag from the 2,000 delegates, said that although the Government could not tell the unions precisely how to negotiate their wage claims, its responsibility to the British people meant

PM points to Tory flaw

BY IVOR OWEN

IN A message to all Labour candidates today, the Prime Minister repeats that Mrs. Margaret Thatcher's pledges to cut taxation lack credibility.

everyone earning less than £10,000 a year would be worse off, and the growing realisation of that explained why the Conservatives were beginning to panic.

Labour, he contended, really has a better way to curb inflation and price rises.

Powell backs EEC foes

BY IVOR OWEN

VOTERS CAN best serve the national interest by supporting candidates known to be "publicly pledged and dedicated" opponents of the European Economic Community, Mr. Enoch Powell declared at the weekend.

resolutely opposes the EEC, the acknowledged that there are some dedicated anti-Marketees in the Conservative ranks.

Mr. Powell emphasised that the Ulster Unionist Party, under who banner he is seeking re-election for Down South,

Europe supporters rallied

BY PAUL TAYLOR

THE ASSOCIATION of British Chambers of Commerce joined in the election battle today for the first time in defence of Britain's continued membership of the European Economic Community.

Efforts in the election campaign to blame Europe for Britain's economic ills, it says, are distracting attention from the real obstacles—inflation, strikes, poor productivity, public spending and taxes.

The alternative solution from Britain's handful of Marxists

BY JOHN LLOYD

THE ORGANISED currents of British Marxism are as numerically weak today as they have been since the war. This must add a gloss to the statements of those like the Socialist Democratic Alliance, who see an axis between the various far left groupings and the Labour Party, particularly its left wing.

a number of activists—Mr. James Reid, now the Labour candidate for Dundee East, is the best known—to the Labour party, in which they see greater scope for socialist advance.

Voters who want explanations for lost jobs

BY IAN HARGREAVES

OUTSIDE STEEL gates, beside a tent, a shack and a brazier stands a solitary picket. Until a month ago he was a foreman engineer at the Dunlop Speke, Tyre plant, where he had 37 years of service, 25 of which are commemorated by the gold watch on his wrist.

"My feelings? Bitter and more militant than I've ever felt in my life." Will those feelings affect his vote on Thursday?



The plant thought to live in Liverpool's Garston constituency and the impact on their families and neighbours, will probably determine who wins the election.

Employment, all four candidates agree, is the main issue in the campaign. More than 30 per cent of Speke's workforce is idle. More than 6,000 jobs have gone from the constituency, most of them from Speke, in Speke Comprehensive, discharges its annual band of teenagers into the employment market this summer, probably only two-thirds of them will find work.

Beside the brazier, the picket's only companions are four jobless 15-year-olds. They are playing hangman.

Eddie Loyden, aged 55, the former port shop steward, Tribune group member and Labour MP for Garston after the February, 1974, election, knows he has a tough task in the last few days before polling.

"If we can get round and explain things, we'll be all right. It sometimes means going twice or even three times to the same house," he says.

Loyden's "explanation" is that big business has let the workers down. While Dunlop was investing in Eastern Europe and the Far East and lobbying the Government for cash to develop its other UK facilities, the machinery at Speke was grinding into obsolescence.

Planning agreements and more public ownership must be the tools of industrial regeneration, he argues.

His canvass returns in Labour territory at the end of last week were still showing 5 to 8 per cent "don't knows" almost all of them women. A week earlier, the figure was 15 per cent. He believes he's getting through and says there's no sign of a shift to other parties. It he doesn't get through, he won't survive. His 3,300 majority would fall to a 2.85 per cent swing.

Call for tougher union curbs

TOUGHER CURBS on the trades unions than those proposed by the Conservative Party were urged by Mr. Michael Colston, chairman of the Colston group and a leading member of the Institute of Directors, last night.

Relations Act, 1971, with legally enforceable agreements, strike action dependent on secret ballots and restrictions on all forms of picketing.

Mr. Colston, a member of the Institute's Council, outlined his hard-line approach to new legislation on industrial relations in framing questions for directors to put to all general election candidates.

Earlier Mr. Denys Randolph, chairman of the institute, declared that the best thing to put Brian back on is feet was a Conservative Government.

It is strictly sectarian: it will have nothing to do with the other Trotskyist groups, believing, for example, that their opposition to the police as manifest in the riots in Southall last week is a piece of juvenile folly. "If they want to take on the whole of the Metropolitan Police, good luck to them, but



Mr. Malcolm Thornton, Conservative candidate, at Garston's freightliner terminal.

often being told: "Sod the lot of you."

The Liberal vote is, as usual in Liverpool, of special interest. Only two miles separate Garston from Edge Hill and Davison believes that he will rise on the backwash of David Alton's recent by-election landslide.

However, Garston is not on the Liberals' priority shopping list. Trevor Jones, the city's campaign director, is more interested in building on the reputations of Liberal councillors by retaining Edge Hill and pushing for victory against huge odds and former Labour and Tory incumbents in Kirkdale and Wavertree. So Davison is fighting without help from

Long before Mrs. Thatcher appeared, the audience had been warmed up by a small but glittering contingent of Conservative Equity members, who ran on to the stage like winners of a talent contest.

Those who could not be there because they were working, such as Les Dawson, sent jokes in their place, and the audience was so carried away by the general atmosphere of Labour-bashing that they hissed at every mention of the name of a Tribune group member.

The climax was Vince Hill, assisted by Lulu, leading the delegates in: "Hello Maggie, now you're really on the road to No. 10."

Mrs. Thatcher appeared almost overwhelmed by it all, although she claimed afterwards to be looking forward to a repeat performance. As the stars gathered round her, she seemed uncertain how to react. As for some of her advisers on the platform, they looked as if they would rather have been somewhere else.

After the rally, Mr. David Bassett, chairman of Trade Unionists for a Labour Victory, said: "The publicity-programmed Tory rally at Wembley was not of elected trade unionists representing democratically determined trade union policies."

not with our help." It dismisses the National Front as a "handful of blockheads."

Socialist Unity, which is a coalition whose major partner is the International Marxist Group, and includes the Big Flame group and the International Socialist Alliance, is standing about a dozen candidates and are also supporting Mr. Pat Arrowsmith and Mr. Brendan Gallagher, who are under the Independent Socialist and Troops Out of Ireland banners respectively.

Ulster campaign workers 'arrested'

BY STEWART BAILEY

POLICE in Northern Ireland have arrested at least 25 people in Belfast in the past few days in what looks like a roundup of known Provisional IRA members and sympathisers before the general election.

Some observers say that the sweep might encourage a campaign by union, police and military officers to have internment, if selective, returned to the province.

The Royal Ulster Constabulary in Belfast refused yesterday to divulge how many people had been arrested. A statement said: "No one is ever arrested for political reasons. A number of people have been taken in but this is for questioning in connection with other matters."

Comments from the Provisional Sinn Féin, the political wing of the Provisional IRA and other republican groups suggest that people with former known links with the movement or sympathies towards it have been taken into custody.

Mr. Frank Maguire, Independent Republican MP for Fermanagh-South Tyrone in the last Parliament, a former internee who is known to have many friends in the IRA movement, has said publicly that five of his campaign workers are among those arrested.

Observers feel that with seven days without trial, the police waited until the election was imminent to get suspected Provisionals out of harm's way. Belief is growing among Republican groups that the police and senior Army officers are starting a campaign for the reintroduction of internment, abolished in December 1975. The police are worried about the growing sophistication of the Republican groups in bombings, murders and general disruption they have achieved.

The latest edition of the Falls Weekly Report, a leading Republican publication, reported: "The British military are known to be worried by the success of the new techniques being used by the Provisionals and are thinking of ways to counter them. Things have been going so badly for them on all fronts that they have seriously considered the reintroduction of internment as an option."

In Republican News, a leader page article said: "Senior British Army officers in the North are demanding the reintroduction of internment against Republicans as a means of combating the general increase in resistance."

Meanwhile, Mr. Maguire's efforts to be returned in Fermanagh-South Tyrone are turning into the one real cliff-hanger of the election in Northern Ireland.

Fermanagh has a small, natural Catholic majority and Mr. Maguire squeaked in by just over 2,000 votes in the last 1974 election. This time, however, Mr. Austin Currie, of the Social Democratic and Labour Party, plans to stand as an independent, possibly splitting Mr. Maguire's vote and letting in a Unionist.

Shopkeepers are all asked about competition and, more obscurely, opening hours. Factory workers are asked their "skill" (in much the same way other politicians ask people's names), and the role of the microprocessor in their jobs. One of the big moments on Friday was when Sir Keith, the man of steel, set the face to face with a microphone.

Sir Keith himself kept so busy on Friday that he almost made himself redundant.

The "walkabouts" finished 10 minutes ahead of schedule and, when, with the willingness to oblige that he had shown throughout, he asked what they would like him to do next, the local organisers were temporarily stumped for an answer.

Sir Keith, however, is not a man to give up easily. Seeing a couple of shoppers, he strode once more back into the breach.

WEST INDIANS living in Britain were urged to vote Labour, particularly in marginal constituencies, by the West Indian Standing Conference. In spite of the Government's failure to "act on key issues," Labour still offered the best hope for the future of the nation.

MR. KEITH SPEED, Conservative spokesman on race relations, accused Labour of telling lies about Conservative immigration policy and reaffirmed that compulsory repatriation does not form part of it.

ACCORDING TO a poll published by the Western Mail, Mr. Gwynfor Evans, leader of Plaid Cymru, is running second to the Labour candidate in his Carmarthen constituency.

BRITAIN'S POOR industrial record may be explained by the belief that the quality of life is more important than wealth creation, according to Mr. John Pardo, Liberal economics spokesman. Politicians ought to be asking workers not how much they liked their jobs, he suggested on the ITV programme Weekend World.

ON THE STUMP

Sir Keith's penance

BY ELINOR GOODMAN

SIR KEITH JOSEPH, Shadow Industry Secretary and Mrs. Thatcher's private guru, does not, on his own admission, enjoy campaigning. He regards it as an intrusion into people's privacy and he flinches at the very thought of approaching someone cold in the street.

However, since he also regards it as his duty, he applies himself to the task with all the humility and zeal of a normally cloistered theologian doing a spell with a missionary order as a penance.

On a tour of the Midlands last week, he dutifully did whatever the local organisers asked.

His nose, which has an unfortunate habit at Westminster of twitching when in the presence of somebody he regards as lacking in intelligence, was kept scrupulously under control, and he never once confused the already bewildered shoppers with talks of the Public Sector Borrowing Requirement or the money supply.

The nearest he got to the latter was, when watching stamps being run off by the milllion in a printing works, he remarked unasily that it was a bit like printing money.

The only drawback was that he did it all with such modesty that many of those who met him had no idea that they were being introduced to such an illustrious politician, let alone the hate object of the Labour Left.

Sidling into shops, he would say apologetically: "I am sorry I am not a customer, just a politician." Sometimes, he would add his name and party but never did he thrust his opinions down anyone's throat.

Indeed, throughout his two "walkabouts," he showed a reluctance to interfere in trade which the Confederation of British Industry would regard as wholly laudable. He declined to go into several shops on the ground that there were customers in them and he might put them off.

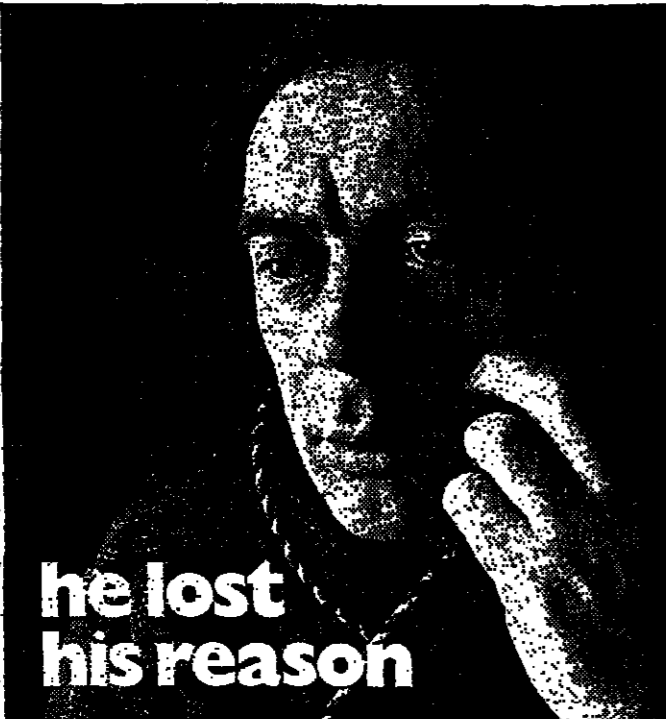
Until this week, Sir Keith has spent virtually the whole campaign on the road. Local organisers find him a good draw and he is certainly an impressive performer at public meetings.

He is at his happiest when somebody asks a good question: he comes down off the platform and into the audience as to discuss the subject enthusiastically at the questioner's level.

To make the best of the campaign, Sir Keith has devised a list of questions, which not only take the place of the usual electoral small talk but provide him with evidence for his own theories.

Ulster  
Camp  
workers  
attacked

# Sergeant J\*n\*k\*n was hit on the head



he lost  
his reason

After 5 years in the last war, after keeping the peace in Kenya, after seeing through the evacuation of Aden, Sergeant J\*n\*k\*n was hit on the head. With a stone.  
He lost his reason.  
He has been with us ever since he was invalided home. Sometimes in hospital, sometimes in our Convalescent Home—wherever he is, we look after him. We provide work in a sheltered industry, so that he can live without charity. One day, he'll probably enter our Veterans' Home for good, still thinking that the next man in the street is about to attack him.  
Every year brings in more and more deserving cases like Sergeant J\*n\*k\*n. And every year our costs go up.  
If we are to survive in '79 we must have more funds. We're doing everything we can, but in the end it depends upon what you can afford to give.

"They've given more than they could—  
please give as much as you can".

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PORTRAIT PAINTERS, Royal Society's

## BUSINESSMAN'S DIARY UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	Boat Show (0703 22345) (until May 6)	Exhibition Centre, Bristol
May 2-4	International Freight Services and Equipment Exhibition—Freight Show North (01-437 0544)	Exhibition Centre, Harrogate
May 8-10	London Laboratory Exhibition (01-855 7777)	West Centre Hotel, Olympia
May 8-13	Photo World '79 (01-935 8200)	Olympia
May 9-11	Environmental Engineering Today International Exhibition and Symposium (Royston 71209)	Wembley Conference Centre, Royal Norfolk Showground, Norwich
May 10-12	EIA Anglix '79 Engineering Exhibition (01-222 2367)	Royal Norfolk Showground, Norwich
May 13-19	Antiques Fair (04863 22562)	Pavilion Gardens, Buxton
May 13-16	National Meat Trades Fair (01-637 2400)	Exhibition Centre, Harrogate
May 13-18	Sunday Times Business to Business Exbn. (01-407 4046)	Earls Court, Hotel Leofric, Brighton Marina
May 15-17	Coventry Engineering Exhibition (0203 51777)	Bingley Hall, Birmingham
May 16-30	Boat Show (0932 54511)	Earls Court
May 23-26	The Midlands Breadboard '79 (0622 4871)	
May 23-June 10	USSR National Exhibition (01-637 2400)	

## OVERSEAS TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	28th Casablanca Intl. Trade Fair (01-584 8827) (until May 13)	Morocco
Current	International Collectors' Fair (01-236 0911) (until May 2)	Stuttgart
Apr. 30-May 3	11th Annual Offshore Technology Conference and Exhibition (01-486 1951)	Houston
May 7-11	National Industrial Production and Machine Tool Show (021 454 6171)	Toronto
May 8-11	Interclean Trade Fair (01-228 2880)	Amsterdam
May 10-26	Man and His Environment Exhibition	Tel Aviv
May 15-18	SITEV—Automotive Original Equipment and Components Exhibition (01-236 7000)	Paris
May 14-19	International Surface Treatment and Industrial Finishing Exhibition (01-439 3964)	Geneva
May 20-22	Tennis and Active Sports Show	Dallas
May 21-26	British Machine Tools Exhibition and Seminar (01-215 7877)	Seoul
May 28-June 1	World Inland Waterways and Ports Development Exhibition (St. Albans 63213)	Strasbourg
June 6-16	All-British Energy Exhibition (021-705 6707)	Peking
June 8-July 1	International Transport Exhibition (IVA '79) (02013 4450)	Hamburg
June 9-17	33rd International Aeronautics and Space Exhibition (01-439 3964)	Paris
June 19-19	International Technical Goods Fair (01-215 7877)	Poznan
June 18-20	Advanced Communications Exbn. and Conference	Copenhagen
June 18-22	International Exbn. and Congress for Metallurgical Equipment and Technology (01-409 0856)	Dusseldorf

## BUSINESS AND MANAGEMENT CONFERENCES

Apr. 30	Fielden House Productivity Centre: The Companies Bill and the Fourth Directive (061 445 2426)	The Post House, Northenden
Apr. 30	Institute of Grocery Distribution: 1984—For better or worse?	Metropole Hotel, Brighton
Apr. 30	Tips and Traps in Commercial Practice—Holborn Law Society seminar	Connaught Rooms, WC2
May 1-2	Management Studies Centre: Second International Word Processing Convention (01-840 5656)	Carlton Tower Hotel, SW1
May 2	Benn Business Promotions: Contract Furnishings—Reducing the Fire Hazard (Edenbridge 863944)	Royal Garden Hotel, W8
May 3	Eisewier: Computer Fraud seminar (Oxford 512342)	Royal Garden Hotel, W8
May 3-4	Financial Time Euro-Japanese Symposium—Trade, Finance and Politics in the 1980s (01-236 4382)	Brussels
May 8	Executive Conferences: Visual Inspection (High Wycombe 33171)	Bull Hotel, Gerrards Cross, Bucks
May 8-10	Crown Eagle Communications: UK Government Contracts (01-636 0817)	London Hilton
May 9-10	AMR International: Multi-Currency Asset Management (01-282 2732)	Press Centre, EC4
May 11	CCC: Takeovers and Acquisitions—Optimum Terms for Vendor and Purchaser (01-222 6362)	Press Centre, EC4
May 11	Executive Conferences: Quality Manuals—Development and Preparation (High Wycombe 33171)	Bull Hotel, Gerrards Cross, Bucks
May 11	InComTec: Industrial Relations Law and Its Likely Changes (Camberley 62677)	London Hilton
May 13-19	Lloyds of London Press: Marine Insurance (01-353 1000)	Tower Hotel, E1
May 14-15	Robert S. First: Single-Use Hospital Products in Europe	Dusseldorf Hilton
May 14-16	Brunel Management: Organizing Effectively (Uxbridge 86461)	Uxbridge
May 14-16	Transnational Management: Strategic Management—Techniques for surviving in the 1980's	Copenhagen
May 14-18	IPM: Selecting the Right Candidate (01-387 2844)	Whites Hotel, W2
May 15	ICMA: Marketing and the Management Accountant (01-637 2311)	The Crown Hotel, Harrogate
May 15	CAET: Developments in Industrial Tribunal Law—How to cope with them (01-680 7179)	Café Royal, W1

## PROVIDENT LIFE ASSOCIATION OF LONDON LIMITED

Established 1877 PROVIDENT HOUSE 266 BISHOPSGATE LONDON EC2M 4QP

### Extracts from the Statement by the Chairman Mr. R. J. W. Crabb on the Group Results for 1978

The most significant feature of the results for 1978 was the successful new business effort which increased the new annual premiums by 41 per cent. for life business and by 53 per cent. for pensions business. We have also achieved a further increase in the proportion of with profits new business from 45 per cent. in 1977 to 63 per cent. in 1978. This is a satisfactory proportion which we shall seek to maintain.

The insurance industry benefited during the year from more stable economic conditions and recorded a healthy increase in new business. This was helped by the introduction of the new State Graduated Pension Scheme and from the very active house purchase market.

**LONG-TERM BUSINESS**  
New sums assured were £208 million compared with £176 million in 1977 and new annual premiums were £33 million compared with £23 million in 1977. The spread of new business was very satisfactory, about two-thirds being life business and one-third being group and individual pensions business. Sales in the year were also particularly good in respect of with profit endowment policies to cover Building Society advances and without profit endowment policies in connection with topping-up business where the policy covers both the Building Society advance and our mortgage.

At the end of the year the long-term funds stood at £88.8 million and the investment Reserve at £5.6 million, compared with the 1977 figures of £83.0 million and £4.9 million. The cash flow available was invested in approximately equal proportions in Government securities and equity type investments, in addition a further £2 million was invested in topping-up mortgages associated with a large volume of endowment policies, this being financed out of the repayments of older mortgages with lower rates of interest, so that the total investment in house mortgages was unchanged at £53 million.

As a result of these operations we achieved another satisfactory increase in the gross rate of interest earned on the long-term funds, which rose to 7.98 per cent. compared with 7.64 per cent. in 1977.

The expenses and commission during the year were £5.66 million compared with £5.00 million in the previous year, an increase of 13 per cent. The larger part of these are in respect of new business which rose well over 40 per cent. The extension of computer systems is continuing and their effectiveness in containing unit costs is now being experienced. In particular they have dealt with all the preliminary work necessitated by the introduction of tax relief by deduction from life assurance premiums which commenced on 6th April, 1979.

The annual valuation carried out by the actuary revealed that the surplus emerging in 1978, including the transfer from investment reserve, totalled £2.99 million. The valuation basis used in 1977 has been maintained except that, in order to accommodate new business strains, the rates of interest were raised by 0.25 per cent. in The Annual General Meeting will be held on Wednesday, 23rd May, 1979, at 12 noon, in the Suffolk Room, Abercorn Rooms, Liverpool Street, London EC2P 2AN. Copies of the Report and Accounts for 1978 can be obtained from the Secretary.

**GENERAL INSURANCE BUSINESS**  
The United Standard Insurance Company Limited achieved a total profit after tax of £71,000. The Property and Accident account once again showed a substantial underwriting loss, but the amount was far less than in the previous year as the steps taken to deal with the situation began to take effect.

The Property and Accident account underwriting losses were £268,000 compared with £496,000 in 1977. These derived mainly from retailers business and from closed accounts especially reinsurance business. The retailers' rates of premium were substantially increased at the end of the year, and the closed accounts, all of which ceased to be written in 1976 or previously, are not expected to affect future results significantly. The rates charged for house contents policies were increased in May 1978 and this has resulted in a satisfactory performance during the year in a sector that has in recent years been very unsatisfactory.

The motor account premium income increased to £1.8 million from £1.6 million in the previous year and the results continue to be satisfactory. The investments of the subsidiary are largely in short government securities, and the fall in market value by the end of the year was absorbed by the investment reserve, which, after the transfer from the Revenue account, then stood at £70,000.

In July 1978 a further £200,000 share capital was subscribed by the parent company increasing the issued share capital of the United Standard Insurance Company Limited to £1,200,000.

**SHAREHOLDERS' FUND**  
The parent company's profit after tax was £510,000 compared with £454,000 for the previous year. This includes £433,000 transferred from the long-term fund against £365,000 in 1977. The tax charge in the Shareholders' Fund included, for the first time, some £17,000 of Advance Corporation Tax which may be taken into credit at some future date.

The combined profits of the group after tax were £582,000 compared with £433,000 in the previous year. After allowing for recommended dividends costing £426,000, against £371,000 in 1977 and making the transfer referred to in the subsidiary company's accounts, the carry-forward in the combined Profit and Loss accounts was £64,000.

On the 29th December, 1978, meetings of both the A and B shareholders approved proposals for the enfranchisement of the B Ordinary shares, so that all the Ordinary shares now have the same voting rights. This involved a capitalisation issue of 255,000 new Ordinary shares issued to A shareholders on the basis of one new share for every ten held. I am sure that this will be of benefit to all shareholders by creating a larger single market and bringing us into conformity with modern practice.



Fifty Deutschmark note

## Let's be partners.

Perhaps you know us already, without realizing that we're neighbours. Deutsche Bank—number one in the German home market—has a branch in New York to help you develop your international business and strengthen your financial ties to Europe. Take advantage of the well-founded experience and all-around services offered by a major international bank.

It's just a question of getting to know each other. Tomorrow we'll be telling you a little more about one of the biggest banks in the world.

Right here.



**Deutsche Bank**

Deutsche Bank AG New York Branch, 9 West 57th Street, P. O. Box 890, Radio City Station, New York, N. Y. 10108 U.S.A., Tel.: (212) 940-8000, Telex: DRT 111747

Manual billing plan to cut telephone loss

BY PHILIP BASSETT, LABOUR STAFF

THE Post Office will this week try to introduce manual billing of telephone customers to bypass the effects of a strike by computer workers...

Four likely to contest Notts. miners presidency

FOUR CANDIDATES are likely to be running for the presidency of the Nottinghamshire area of the National Union of Mineworkers...

CONTRACTS AND TENDERS

CALL FOR TENDERS FOR SUPPLYING THE EQUIPMENT FOR THE DAIRY

Vojvodjanska Banka, Novi Sad, Yugoslavia, has received a loan from the World Bank in various currencies equivalent to US\$ 75 million towards the cost of Agricultural Credit II Project, Yugoslavia.

NOTICE CONTRACT No: KM/2/79 SUPPLY OF TRAINING CENTRE EQUIPMENT

The Chairman, Board of Directors, Sea Ports Corporation, Khartoum, invites tenders for the supply of equipment for the Training Centre at Port Sudan.

SUI NORTHERN GAS PIPELINES LTD. TENDER NOTICE

Sui Northern Gas Pipelines Limited invite tenders from manufacturers for supply of Domestic Gas Meters on C&F Karachi Pakistan basis.

AUEW demand for sex equality

THE NATIONAL committee of the Amalgamated Union of Engineering Workers yesterday unanimously agreed at its annual meeting in Eastbourne to use "the full strength of the union" to see that employers paid more than lip service to equal pay for 180,000 women members.

CONTRACTS AND TENDERS

GOVERNMENT OF YEMEN ARAB REPUBLIC

EDUCATION MINISTRY OF IMPLEMENTATION UNIT IDA EDUCATION PROJECT P.O. Box 96, Sanaa Cable: PROJED

CONTRACTS AND TENDERS

Advertisements appear every Monday Rate: £15 per single column cm Minimum three cm

Teachers to intensify action this week as pay talks halt

BY OUR LABOUR STAFF

BRITAIN'S TEACHERS plan to intensify their action this week in support of their pay claim. They are angry because Mrs. Shirley Williams has halted their pay talks and she has told them to wait until after the election.

Dockers accept £8 rise on Merseyside

MERSEYSIDE dockers yesterday voted to accept an increase of about £8 a week plus improved bonuses and other fringe benefits to give a new basic wage of £86.50 a week.

Sharp increase in fruit and vegetable prices

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

A SHARP rise in the cost of meat and fresh fruit and vegetables has pushed the FT Grocery Price Index up by 1.76 per cent in April.

FINANCIAL TIMES SHOPPING BASKET APRIL 1979. Table with columns for April and March prices for various food items like Dairy produce, Sugar, tea, coffee, etc.

In April, the fresh fruit and vegetable section of the basket rose by over £18 to reach £258.7 in total. The late spring this year has meant that fruit and vegetable prices have increased more than in a normal year.

were much more expensive because of limited end of season supply. Bananas were much dearer because of limited supplies. Beef prices in the shops, especially for topside, lamb and pork, particularly loin chops, were also dearer.

CONTRACTS AND TENDERS

TURKEY IGSAS-Anatolian

IGSAS-Anatolian Fertilizer Project

Istanbul Gubre Sanayi Anonim Sirketi (IGSAS) and the Republic of Turkey have applied for a loan from the World Bank in various currencies for financing a major portion of the foreign exchange requirements of the Anatolian Fertilizer Project to be constructed at Kirikkale, 90 kilometres from Ankara.

BOND DRAWING

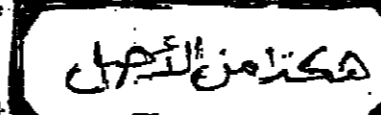
GERMAN GOVERNMENT INTERNATIONAL 5 1/2 PER CENT. LOAN, 1930 STERLING BONDS

Table listing bond numbers and amounts for the German Government International 5 1/2 Per Cent Loan, 1930 Sterling Bonds.

Table listing bond numbers and amounts for the German Government International 5 1/2 Per Cent Loan, 1930 Sterling Bonds, continued.

COMPANY NOTICES

Government of New Zealand 7 1/2% 1972-1987 FF. 75,000,000. The redemption due on 1st June 1979 for which a sum of FF. 4,000,000 is planned to be redeemed...







## DATA PROCESSING

### Assists control of projects

A RANGE of services which could greatly improve decision-making and control for many levels of management from financial controllers to planners and project foremen, is available at the Seicon Computer Services bureau at Milton Keynes.

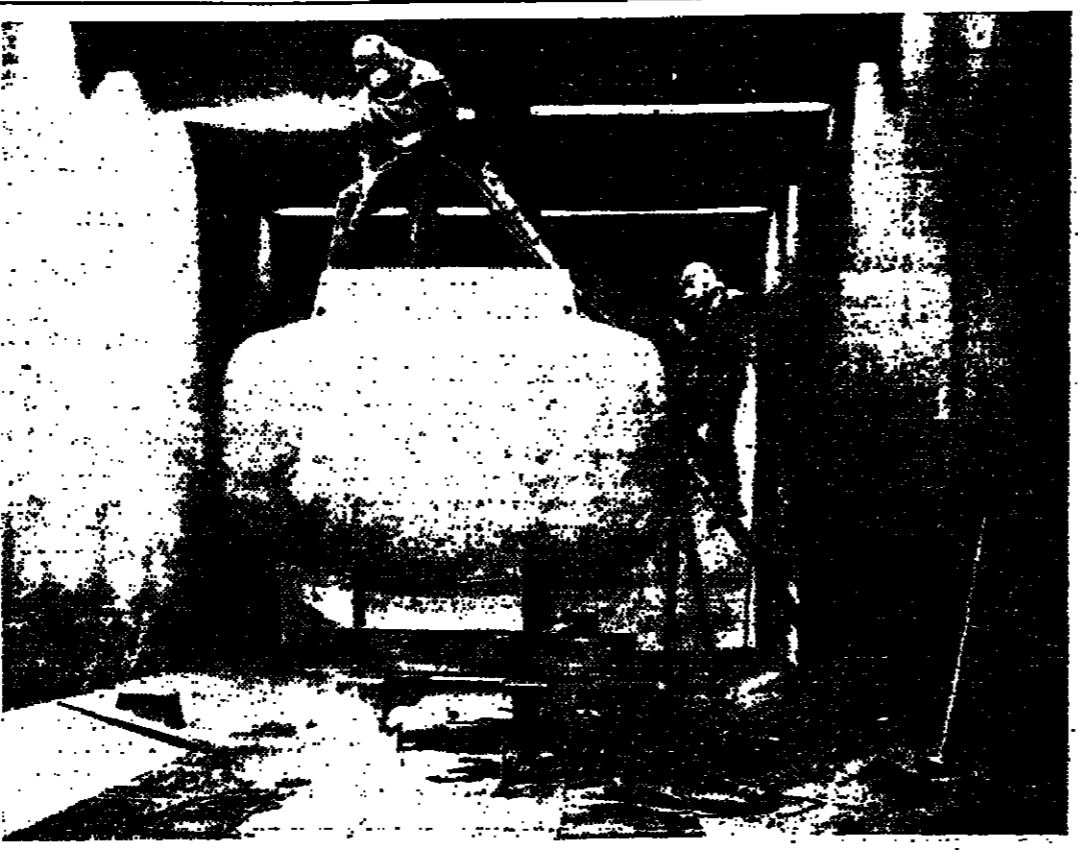
Projects involving only a few hundred activities or tens of thousands can be handled using the systems and Seicon personnel can provide back-up skill and experience to help companies implement projects using the bureau.

Three systems are available—Multinet, K and H Pert and Gospel, which between them cover most of the different types of project planning and control that may be required.

Multinet is based on techniques developed by Seicon technical director, Professor Martin Beale—a world authority on mathematical programming. It is designed to control small to medium-sized projects. K and H Pert is a flexible method of project planning capable of handling virtually any size of project.

Finally Gospel, which previously has been used exclusively by BP, not only provides information for senior management but, by extending the information, can produce reports and even job cards to help foremen control their work. Gospel has already been successfully used to control a project involving 80,000 man-hours, giving an annual saving of more than £100,000.

Brick Close, Kiln Farm, Milton Keynes, MK11 3ET. 0298 355555.



This large shot blast and surface treatment facility has been opened at Southampton by Hilti Engineering. The plant, which can handle loads up to 16 ft x 16 ft x 120 ft long is equipped with blast and spray rooms, which offer 24,000 cu ft areas fully equipped with the latest shot and grit blast machines and paint and metal spraying equipment where almost any structure or fabrication which is transportable by road or rail can be stripped to the bare metal and treated against corrosion. The Hilti site is located at Southampton Airport close to Eastleigh Station.

### Aids the programmer

INTRODUCED into the UK by Four Phase Systems is a display terminal designed to help large programming establishments develop and maintain programs for the IBM 360 and similar machines.

Using software originally developed by Boeing, the programmer workstation is intended to increase efficiency by eliminating waiting time for on-line terminals and queues for keypunching. Each of up to 16 of the stations can be used independently to create, edit and store source programs locally.

When a programmer is satisfied with his project the Four Phase distributed processing computer transmits it to the IBM host for compilation and execution.

During development the programmer can create, edit, modify, print and delete source program files locally without using the mainframe. These local files are maintained on a large 57 megabyte disc and can be reviewed, modified and renamed if necessary before sending to the host.

More from 37, High Street, Marlow, Bucks SL7 1AU (06254 71921).

### Designed for small firms

DATA GENERAL has a new microcomputer-based addition in its Commercial System (CS) family. The CS/30 uses an interactive version of the Cobol programming language, comes in two models and can have up to three display terminals.

Both can maintain more than 20m bytes of information and are intended for use by the smaller company with up to 50 employees, or as part of a distributed processing network.

CS/30 systems can be costly developed by systems manufacturers and distributors for companies in the £500,000-£2m range to perform typical accounting functions such as order entry, accounts receivable/payable, and payroll.

Data General, Hounslow House, 724, London Road, Hounslow, Middlesex TW3 1PD (01-572 7455).

## RESEARCH

### Access to patents

THE British Library is seeking the views of interested organisations on its patent document policy, prompted mainly by the small use made of the 13 patent depository libraries outside London and the £1m cost of maintaining them.

Consequently, a BL consultative paper has been prepared on the subject of what might happen outside London. Among the options are withdrawal of the deposit arrangements in the provinces, the construction of a central national document and information service—in which on-line terminals and facsimile transmission equipment might play a part—and the methodical improvement of existing arrangements, felt in some quarters to be poor.

The paper has been published so that, before the British Library decides on action it can consider the views of all interested parties. Closing date is July 31.

Copies of the document from BL at 25 Southampton Buildings, Chancery Lane, London WC2A 1AW (01-405 8721 ext. 3427).

## SAFETY

### Warns of oil spills

AGA Navigation Aids reports that simple modifications can be made to the signal light and sound systems of single point mooring buoys, used in the offshore industry to give warning of possible oil spillages.

Control electronics of the systems can now be made to generate an additional set of signal codes (flashing light and sound emissions).

In the event of a ruptured pipe or anything else causing a pressure drop, sensors will trigger the change over to the new code which will be locally understood to indicate loss of oil to the sea, or the prospect of it.

Complete light, sound and radar transponder systems can be mounted with batteries in waterproof and flameproof enclosures with a service life of one year.

More from the company at Beacon Works, Brentford, Middlesex TW8 0AB (01-580 8465).

## SECURITY

### Detection of explosives

LATEST portable device for the detection of explosives, the Model 35 from AI Security, London Road, Pampisford, Cambridge CB2 4EF (0223 834220) measures only 380 x 220 x 100 mm and weighs 400 grams (under one pound).

Using an ion drift detector in which the ions present in the vapours emitted by explosives modify an electrical circuit, the instrument responds within one second and can pinpoint, through materials and clothing, explosives such as dynamite and gelignite.

Use requires no more than switching on followed by a simple adjustment and if anything is detected an LED lamp flashes; this is visible only to the operator, for discreet examination, or can if desirable be accompanied by an audible alarm.

Instrument, disposable nine volt batteries, search probe, detector check sample, spares kit and instructions are contained in an attache case.

## COMPONENTS

### Sure of a safe switch-on

INCREASING AUTOMATION of industrial machinery and processes has highlighted weaknesses in a small but widely used important component—the mechanical limit switch—says Setpoint, Ingate Place, London, SW8 (01-720 3961).

It has just developed a rationalised range of non-contacting proximity switches and added a new name to the technical dictionary—proxistors.

Advantages of proxistors over mechanical switches, says the company, is that no maintenance or lubrication is needed and they will go on switching for years—life is independent of number of operations and, even if left unused for years, they will work reliably.

Faster and free from contact bounce, they will also positively detect the presence of objects without physical contact and

operate directly with counters, relays, solenoids, 24-volt logic and industrial instruments.

Company offers two basic types of proxistor—inductive and capacitive. The former will detect metallic objects entering a field generated around the switch by a resonant circuit. In the latter, a circuit is set into oscillation of an object into the detection field.

Within each type there is a range of models which vary according to effective range and body style and all the switches can be screw- or clamp-mounted while some have a threaded shrouding.

Majority of proximity switches used in this country have been produced in Europe (mainly Germany) and America, but, now, announces the company, its Cardiff factory will serve a home market which includes such applications as machine tools, process lines, packaging, bottling and filling plants, etc.

## ELECTRONICS

### Competition in micros

SITE WORK has started on a microelectronics plant at Roussel near Aix-en-Provence where a joint venture company set up between St Gobain Progra-Mousson and National Semiconductor Corp of the U.S. will begin operations under the name of Eurotechnique by the middle of next year.

Fifty-one per cent French owned, the company is being given access to all National's know-how in MOS integrated circuits both current and under development.

Eurotechnique is expected to manufacture 8 and 16-bit microprocessors as well as 16k and 64k RAMs. But it will not be limited solely to those products developed by National. It will be a design centre and be able to conceive and market its own products. The company will have its own marketing department and establish a sales network throughout France and Europe.

National Semiconductor Europe is at Industriestrasse 10, D-6080 Fuerstenfeldbruck, West Germany.

## PROCESSING

### Makes tiny resin dot

A GROWING requirement in the electrical and electronics industry, where miniaturisation is the rule rather than the exception, is to be able to dispense minute quantities of resin, for sealing or adhesive purposes in items such as micro-circuits, capacitors and other small electrical contact systems.

According to Liquid Control, of 25 Harcourt Street, Kettering, Northants - NN16 0RR (0638 81491), the appropriate equipment is scarce and the company has therefore introduced an accessory for its Twinflow and Multiflow metering, mixing and dispensing machines. It can also be used with other makes of dispenser.

Fitted after the mixing head, it incorporates a miniature positive displacement pump with an accuracy better than 1 per cent of the dispensed volume. The company has previously used a timing device for this purpose, yielding only a tenth of the accuracy. The pump model allows quantities of 5 down to 0.1 gram to be accurately dispensed.

Volume control is by means of a knurled screw which varies the stroke length of the pump.

## REMOTE TEST FACILITY

A 4800 bps data modem from Borer Electronics incorporates a remote test facility allowing operators at the far end of a line and the line itself to be examined from the central site without additional test equipment.

The unit, designated 48 LSI + RT, can perform remote line and digital looping tests, remote test pattern generation and gives a broadcast alarm. Tests can be run in such a way that faults can be isolated and identified with specific lines or remote modems.

Particularly useful in multi-point applications, where remote modems are likely to be at sites manned by terminal operators unable to initiate test procedures, is the ability to generate a test pattern at either the central or remote modem, so that the direction of line faults can be identified.

In similar configurations the broadcast alarm facility alerts remote operators to the existence of central faults so that, for example, if a central computer fails the data processing centre is not inundated with telephone calls from data entry stations querying the lack of response.

Borer is at Fishponds Close, Wokingham, Berks. RG11 2QL (0734 783372).

## HANDLING

### Will do the rough work

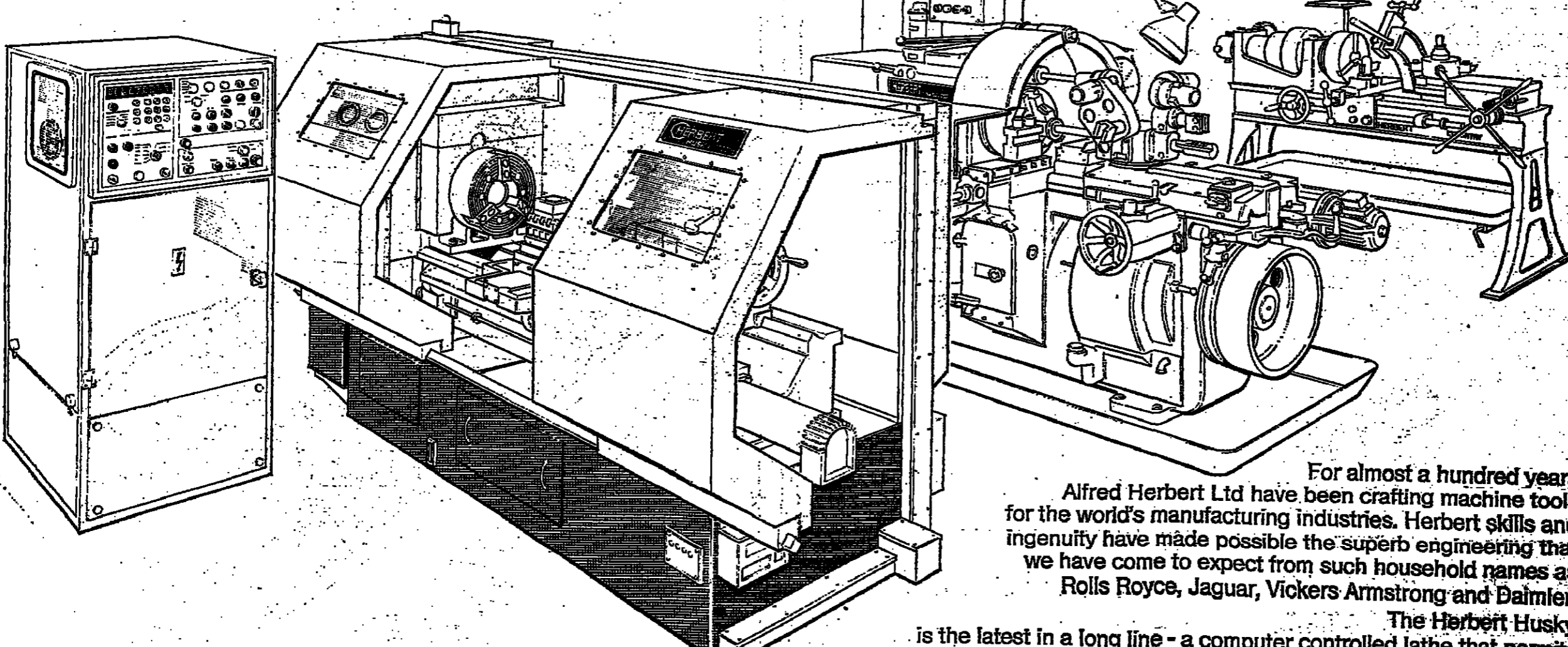
A ROUGH terrain fork lift truck called the Omfort EP26 is to be offered for sale or hire by Agent Plant Sales of Lower Station Road, Crayford, Kent.

It has hydrostatic transmission and front end stabilisers which enable the driver to position loads 20 ft above the ground level.

Powered by a 75 hp air-cooled diesel engine, the truck has four wheel drive and will lift up to two tons of material to the maximum height. Using outriggers, it is possible to position the load 16 ft in front of the truck's wheels.

# The Herbert Husky

## Its heritage makes it the world's best



For almost a hundred years Alfred Herbert Ltd have been crafting machine tools for the world's manufacturing industries. Herbert skills and ingenuity have made possible the superb engineering that we have come to expect from such household names as Rolls Royce, Jaguar, Vickers Armstrong and Daimler.

The Herbert Husky is the latest in a long line - a computer controlled lathe that permits fantastic standards of accuracy and enormous savings in both time and money.

**QUALITY RELIABILITY VERSATILITY**

**HERBERT**

مكينات التحميل

# Building and Civil Engineering

## Widnell and Trollope in big hotel project

TENDERS ARE to go out in September with a view to receiving bids in December for a US\$50m 735-room hotel with conference and other facilities on Cable Beach, Nassau, for the Hotel Corporation of the Bahamas.

Associated practices of Widnell and Trollope, quantity surveyors and construction cost consultants, have been appointed by the Corporation to provide project control and quantity surveying services. Construction is expected to

start in January, 1980 and the hotel to open early in 1982. The project control is being carried out by Widnell and Trollope and Partners and the quantity surveying by Denis Hingston, Widnell and Trollope of Nassau. Architect for the project is Robertson Ward

Associates who is also appointed for the interior design of the hotel and the other facilities. The latter will comprise a recreational centre, central laundry and central energy plant which will also serve other hotels owned by the corporation in the vicinity.

## Wimpey wins over £11m by-pass and homes contracts

THE DEPARTMENT of Transport has awarded the £8.9m A2 Canterbury by-pass contract to the civil engineering division of Wimpey Construction. Contract comprises construction of 8 km of dual two-lane trunk road south of Canterbury, linking Harbledown by-pass (A2) to Bridge by-pass (A2) together with 7 km of slip and side roads.

works, together with retaining walls and culverts. Work started this week and is scheduled for completion in April, 1981. Nottingham office of the company has won three contracts for refurbishing and building of local authority homes at a total value of around £2.4m. Modernisation of 50 houses at a cost of £215,000 on the Braunstone Estate involves the renewal of internal and external fabric as necessary, new bathroom and kitchen equipment, renewal of plumbing

ing and electrical wiring, installation of central heating and redecoration throughout. Two housing contracts at Hillsborough Road and Windley Road have commenced and, when completed, will be capable of housing about 800 people. At the former site, a development comprising 136 dwellings will be partly traditional and partly modern construction with a target for completion at the end of December this year. Windley Road job consists of the erection of 111 dwellings together with associated stores,

foundations, drainage, external works and landscaping. Development comprises a variety of flats and houses ranging from one-bedroom flats to five-bedroom three-storey houses. Value of these two contracts is about £2.2m. Second phase of County Properties development on the Altons Industrial Estate in Aberdeen has been awarded to Wimpey which is currently building phase one. Valued at just over £200,000, the single-storey building is scheduled for completion in October this year.

## Work rolls in to Mowlem

WORK HAS been started by John Mowlem on an office and workshop complex at Dungeness B power station, Kent, for the Central Electricity Generating Board.

The contract is worth £3.1m and calls for the design and construction of a three-storey administration block, with a single-storey wing containing a medical centre, three workshops for the maintenance and repair of instruments, electrical and mechanical equipment from the power station, and ancillary buildings such as stores and boilerhouse.

The other contract, worth about £600,000, was awarded by the Hertfordshire Area Health Authority for a two-storey headquarters building and single-storey ambulance service at Ascots Lane, Welwyn Garden City.

Two building contracts, worth together almost £3m, at Milton Keynes and Welwyn Garden City, have also been awarded to Mowlem. The larger contract, worth about £2.4m and called Pennylands One housing, has been awarded by the Milton Keynes Development Corporation. It is for 177 homes, together with ancillary works including site roads, car parking, services and drainage.

Construction of the office block and wing will be of steel frame on column bases, precast concrete beam and hollow pot floors and roof, precast concrete exposed aggregate cladding panels, aluminium windows and roof finish of bitumen screed and felt. The workshops will be constructed of steel portal frame with coloured profiled aluminium cladding and roof, insulated internally with floors of part dustproof concrete and wood block paviors in bench areas. Equipment will include a 20-ton gantry crane.

Two building contracts, worth together almost £3m, at Milton Keynes and Welwyn Garden City, have also been awarded to Mowlem. The larger contract, worth about £2.4m and called Pennylands One housing, has been awarded by the Milton Keynes Development Corporation. It is for 177 homes, together with ancillary works including site roads, car parking, services and drainage.

## ESPLEY-TYAS CONSTRUCTION GROUP

P.O. Box No. 6, Park Hall, Salford Priors, Evesham, Worcestershire  
Tel. Bidford-on-Avon 3721 (20 lines)  
STD (078 988) 3721

## £2m to Norwest Holst

AMONG THE latest contracts totalling nearly £2.2m awarded to Norwest Southern is one worth £800,000 for a five-storey office block at Station Road, New Barnet, Herts. Crouch Developments awarded the contract for which the architects are the Tripe and Wakeham Partnership. Completion is due in October.

Norwest Holst Northern has been awarded a £24,500 contract by English Industrial Estates Corporation, for alterations to a factory at Wilson Road, Hoyton, Merseyside. Three contracts totalling £352,804 have also been awarded to Norwest Holst Soil Engineering. One is from the Welsh Office (£113,804) for site investigation for the A55 North Wales coast road on the stretch from Llandudulas to Aber, another is a £120,000 contract from Sheffield Metropolitan District Council for site investigation for the Don valley intercepting sewer in Sheffield and the third involves site investigation on a twelve km stretch of the Oxford-Birmingham road north of Banbury for the Midland Road Construction Unit at £110,000 plus the geotechnical costs.

Work has started on the offices and warehouse for Adams' Childswear (subsidiary of Foster Brothers Clothing Company). The store extension at St. Albans, Hertfordshire, will be a new steel framed building constructed on reinforced concrete piled foundations with brickwork cladding. Work here is already under way and completion is expected next March.

## Bowey busy in North

BIGGEST OF the latest contracts won by the Bowey Group is worth over £1.4m and is for the building of the Coquet High School in Amble for Northumberland County Council. When finished at the end of 1980 it will cater for up to 770 schoolchildren. Already at work on the £90,000 first phase of the redevelopment of housing at Kingsbridge, Longbenton, for North Tyneside Metropolitan District Council, Bowey has been awarded a £111,000 contract to construct the next phase of the scheme, all of which has been designed by the Newcastle architects Mauchlen Weightman and Elphick in consultation with the council's chief architect. At Murton and Newcastle, the

group is continuing the revitalisation of older dwellings in urban areas. Competitive tendering to Eastington District Council has led to a £680,000 contract for the modernisation of 99 dwellings at Murton. For the City of Newcastle upon Tyne, work has started on a 47-week £42,000 contract for the revitalisation of 53 properties in the City's Lower Heaton area and complete refurbishment of dwellings in some streets in Scotswood. Sharing in the order boom are Bowey's subsidiary companies Wm. T. Wallace and Son, Greener Engineering Services, Gosforth Joinery Works, Internal Building Services and J. Ward (Electrical), who all contribute to the total of £8m achieved so far this year.

## £3½m awards to Amey Roadstone

AMEY ROADSTONE Construction has secured two airfield contracts worth over £3.5m. At Gatwick Airport, the British Airports Authority has accepted Amey Roadstone's tender for the construction of a new western apron with a value of some £2m. The company is already engaged in the construction of a long term car park on the airfield.

The other contract, awarded by the Department of the Environment, has accepted the company's tender of about £1.6m for resurfacing the main runway and other works at the RAF Station Chivenor, North Devon.

## Laing jobs at home

NEW WAREHOUSE and two-storey office block in Nunceaton comprise a £1.3m contract awarded to John Laing Construction which also announces an £800,000 contract awarded by British Home Stores.

Work has started on the offices and warehouse for Adams' Childswear (subsidiary of Foster Brothers Clothing Company). The store extension at St. Albans, Hertfordshire, will be a new steel framed building constructed on reinforced concrete piled foundations with brickwork cladding. Work here is already under way and completion is expected next March.

## £22m assigned to Mears

OVER £22m of uncompleted contracts previously undertaken by Mears Construction have been assigned to the new Mears company. Director Mr. R. W. Bale, formerly managing director of Mears Construction, told the Financial Times: "Most of the existing contracts have been won back because it has been made clear by Mr. D. D. Land, chairman and managing director of the Nuttall Group, of which Mears is now part, that the latter will retain its identity as well as most of its staff."

The company is concentrating its activities in the UK, retaining its headquarters at Dorcan House, Swindon, and branches at Southampton, Plymouth, St. Neots and the Wirral, with plant depots at Crayford and Eastleigh. Mr. Bale said that the company was already tendering for new work, particularly sea defence contracts, road projects and building. "I am really very confident about the future," he declared.

## Sports and leisure centre

OF SEVEN new construction projects (total value £2.25m) awarded to the sport and leisure division of Shepherd Building Services one is a £1.5m sports centre development at Prior Lane, Macclesfield, Cheshire, for the local borough council. Site work has started and completion is due in August next year. Two major contracts worth just over £260,000 each are a 12-court squash complex at the Lee Valley Park between Ware in Hertfordshire and London's East End, and a squash club at Welwyn Garden City. Smaller projects include a £40,000 job to build two back-to-back courts at Reading for the Prudential Assurance Company, a £80,000 three-court centre with office and canoe storage facilities adjacent to a riverside swimming pool at Braintree for the district council, and a development at Mildenhall Upper School for Suffolk County Council.

"With the way the industry is going in this country, companies of the size of Mears Construction are very vulnerable. It is necessary to be part of a stronger unit in order to be able to weather the cyclical storms that are becoming increasingly devastating for so many firms." "We now have the reputation and resources of the Nuttall Group and its ultimate holding company, the Hollandsche Beton Groep NV, behind us, and this we believe, will be most advantageous to Mears."

## French Kier wins £9.9m

COMPANIES WITHIN the French Kier Group have been awarded eight contracts which together total nearly £10m. Largest job for French Kier Construction is for stage two of the A263 Bramber-Steyning by-pass for the West Sussex Council and is worth £1.5m. Another £288,147 contract is for alterations and adaptations of Brighton Polytechnic for East Sussex County Council.

Remaining six contracts, worth over £7m have all been awarded to Robert Marriott of Rushden, Northants, part of the French Kier Group. Work to be undertaken by Marriott includes construction of houses at Milton Keynes, a single storey comprehensive school for Northampton County Council, flats for the Anchor Housing Association at Oxford, and old persons' bungalows for Northampton Development Corporation.

UNDER A £617,000 contract from Allied Suppliers (Properties) Costain Construction is to erect a supermarket in Roman Road, London, E3. Construction will be of steel frame with part load bearing brickwork. The supermarket will provide 2,766 square metres of ground floor shopping area with 830 square metres at first floor level. Architects for the project are Grainger and Day. Work has begun and is due for completion in October.

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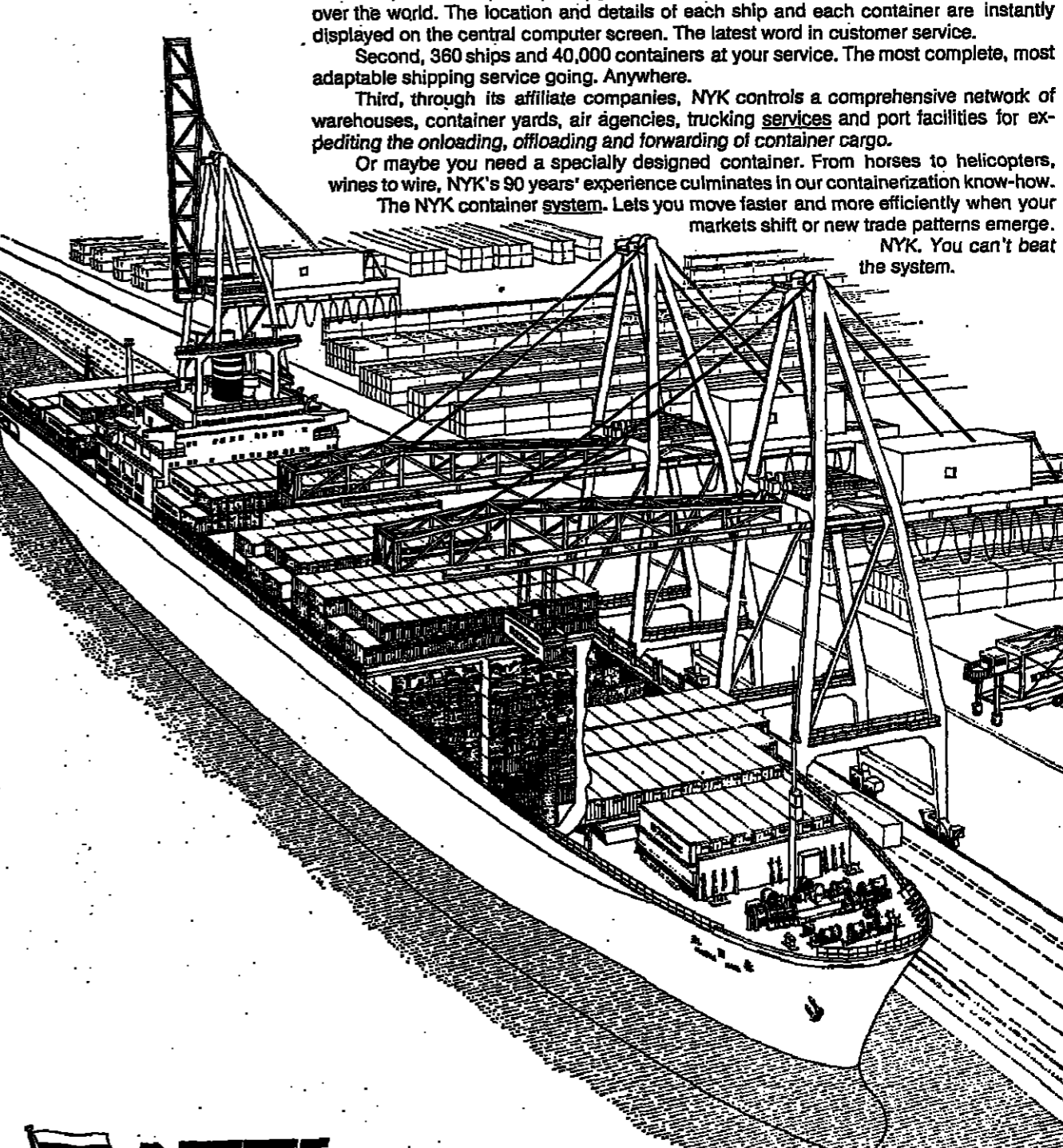
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## EUROBONDS

The Association of International Bond Dealers Quotations and Yields appears monthly in the Financial Times. It will be published in an eight-page format on the following dates in the remainder of 1979:

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## THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

## Lonrho accounting policies under crossfire

SOME 42 firms of auditors throughout the world contribute to the final group audit of Lonrho, the international trading conglomerate. But this wealth of accounting advice has not prevented the group from having to fend off a good deal of criticism.

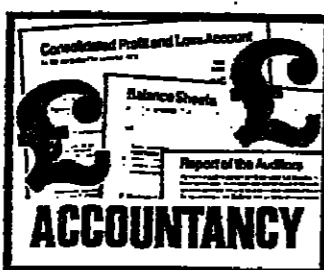
Last week, for instance, the three directors of Scottish and Universal Investments opposing Lonrho's bid for the company refused to touch any offer which included Lonrho equity, and in their defence document set out a list of six "material considerations" in evaluating Lonrho's shares. One of the points listed concerned Lonrho's treatment of depreciation.

This attack on its accounting policy has come immediately after a slanging match which resulted from the attempt by Gulf Fisheries, a privately-owned Kuwaiti group, to force two of its nominees on to Lonrho's Board. The move ended in failure earlier this month.

Had the two Gulf men ever got to the Lonrho Boardroom one of the key areas to which they were ready to devote special attention was "the effect on Lonrho's market rating of the accounting policies adopted by Lonrho." The implication was that changes which Gulf had in mind would lead to an improvement in Lonrho's market status.

It is true, of course, that there are controversial aspects to Lonrho's accounting policies. The company has attracted attention for its insistence on consolidating a share of profits of House of Fraser although it owns, directly, slightly less than the 20 per cent stake given as a minimum in SSAP 1 (the statement of standard accounting practice which deals with the treatment of associated companies).

There is also the question of its depreciation policy, under which prior years' provisions, no longer required because the



group regularly revalues its assets, are added back to profits. In 1977-78 this write-back represented 16 per cent of pre-tax profits.

The SLITs defence document this week contained calculations from which it argued that without this bonus the pre-tax profits of Lonrho, instead of remaining roughly unchanged, would have fallen by 14 per cent during the last two years.

The practice was defended to the Monopolies Commission by Peat Marwick Mitchell—one of the joint auditors—as being acceptable, given adequate disclosure, "though somewhat unusual." All right, presumably, so long as you carefully read the notes at the back.

At this point, however, a logical flaw appears in Gulf Fisheries' argument. Why should Lonrho have adopted accounting policies harmful to its market rating? A more normal explanation of any unusual policies would be precisely the opposite—that they had been designed to improve the figures and help the share price.

How, then, did Gulf come to believe that Lonrho's rating was actually being damaged? The arguments were never produced, but by implication Gulf must have reckoned that Lonrho had miscalculated. Perhaps controversy was making these accounting policies counterproductive, notably by discouraging the institutional shareholders of the City.

However that may be, Gulf was not the kind of company best fitted to change Lonrho's image. Lonrho launched with

obvious relish into counter-accusations about the accounting practices of Gulf's associated public company in Kuwait, United Fisheries, which at one time held a sizeable stake in Lonrho.

Both 1974 and 1975 were bad years for shrimps. But at the end of 1974, just before its accounting date, United Fisheries revalued its Lonrho stake to well over the London market level. "This revaluation would not have been in accordance with United Kingdom accounting practice," thundered Lonrho. And at the end of 1975 United Fisheries made a large profit out of the sale of Lonrho shares to Gulf Fisheries, a private company, also at well above the then London market price.

Why should not Sheikh Nasser, Gulf's owner, shuffle assets between his public and private interests if he wished to? Gulf pointed out that any benefit to United Fisheries was provided at the expense of the Sheikh and his family, who incidentally also benefited from a jump in the share price of United Fisheries. Meanwhile the revaluation of the Lonrho stake in United's end-1974 accounts was "approved for the purposes of the accounts by United's auditors, a leading firm of chartered accountants."

For some reason these auditors—the Kuwaiti firm of Bader Al-Bazie—was not actually named in the circular to Lonrho's shareholders.

Finally, Lonrho seized a sledgehammer to crack a nut. "Lonrho's accounts are audited by independent British firms of auditors who have never criticised the accounting policies of your company throughout the period of the association with Sheikh Nasser," the company told shareholders. "Your company's accounts for this and every other year have not been criticised by any professional body."

Barry Riley



Mr. Van Rafelghem (centre)—setting his airline a slow course for break-even within five years

Michael Donne on the Belgian national airline's plans to climb out of the red

## A long haul for Sabena

OVER THE past ten months, the wind of change has been blowing through the corridors of Sabena's head office in Brussels. For last June, concerned over the airline's mounting losses, the Belgian Government made some sweeping changes in the top management of the airline.

Among them was the appointment to the chairman's post of a long-standing civil servant, Carlos Van Rafelghem. The objective was to try to bring Sabena back into profit as soon as possible, in an increasingly tough climate for the world's airline industry, characterised on the one hand by mounting pressures for cheap fares, and on the other by rising costs, including soaring fuel bills—with an inevitable squeeze on margins.

Mr. Van Rafelghem, formerly assistant chief of staff of the Minister of Transport, and before that a member of the staff of the Belgian Treasury and the Minister of Culture and Flemish Affairs, swiftly restructured the day-to-day management of the airline.

In particular, he made the operations department responsible not only for operational affairs but also actual sales, to give ground and air crews a commercial as well as an operational motivation. At the same time, he widened the scope of the marketing department, to include in it such matters as sales promotion, and the formulation of fares policy.

While Mr. Van Rafelghem declares his determination to make Sabena profitable again,

he is not planning to hurry. He has set himself a target of break-even within five years. He has already achieved some success, for losses of BFr 2.2bn (about £35m) in 1977 were cut to BFr 1.6bn (about £25.4m) in 1978, and he has high hopes of a further improvement in the current year.

His explanation of the airline's difficulties is simple. It overextended itself, trying to fly on too many routes to too many places.

## Overall aims

"As an airline where the State is the main shareholder, Sabena gave the impression that we were not required to be as competitive as others," he says, but adds that this is an impression he is determined to change. Some routes have already been cut out—for example, to Havana, Guatemala, Montevideo, Buenos Aires and Santiago—and some staff have left the airline and have not been replaced, though the labour force has remained roughly stable at about 10,000 since 1977.

His overall ambition is to break-even by 1983, with profits hopefully materialising in the next "five-year plan" thereafter.

"Five years is a very necessary period," he says. "To try to do it in a shorter time is impossible. We are too deeply in the red." And, he points out, one has to take into account a wide variety of other problems—the recent situation in Iran which has hit fuel supplies

worldwide and forced up fuel costs for all airlines; the deregulation in the U.S. and the increased competition on the North Atlantic; and the need for fares increases.

Mr. Van Rafelghem bases his strategy on the simple expedient of cutting costs sharply, getting rid progressively of the losses which even at last year's better level of BFr 1.6bn is "simply unbearable."

"One of the first management objectives is to slow down the pace of development of costs," he declares. He hopes this will bear considerable fruit within the next few years, especially if Sabena develops its sales at the same time. "We believe that the world market itself will continue to grow, and we intend to grow with that part of the market we already serve."

But Mr. Van Rafelghem has set his mind firmly against massive dismissals in the company. Rather, he intends to freeze all but essential recruitment, not replacing staff who leave. "We have to manage the personnel in this company as it has never been managed, up till now," he says.

"In the past you just said you needed so many more people, and you got them. But from now on, having let go a certain number, I believe you will see productivity improving—not that lack of productivity in Sabena is all that evident, but an improvement is needed in some areas."

Mr. Van Rafelghem is aware that he could produce profits much more quickly than in five

years, by laying off, say, a thousand people immediately. But this, he says, would be too ruthless an approach. "The employment market is so closed at present, not only in Belgium but elsewhere in Europe, that specialist personnel from Sabena would have nowhere else to go."

As a result of this policy of moving slowly, Sabena is not in the market for a major expansion of its fleet, or its route network, in the near future. It foresees a need to increase its long-haul fleet of DC-10s by perhaps two or four aircraft in the not too distant future, but it is not yet ready to invest in, say, the European Airbus, although a purchase of the A-310 version in the longer term is far from being ruled out.

## Careful watch

But for the time being, the airline will make do on short hauls with its Boeing 737s of which it has 15, and will take its time over finding a replacement for its Boeing 707s. It is not, therefore, immediately discussing such aircraft as the new short-to-medium range Boeing 737 or 767, but Mr. Van Rafelghem makes it clear that the airline's planners are keeping a careful watch on all new aircraft ventures.

So far as the route network is concerned, the airline's prime objective is to ensure that it can maintain its position on its short-haul European network, and its longer routes to Africa,

and to the U.S., in the face of intensifying competition. For the medium-term, it is seeking to operate additional routes to the U.S. for which traffic rights have been obtained (it started a service with Boeing 747s to Atlanta, Georgia, this spring), and wants a new northerly (polar) route to Japan. In the longer-term, it might also be interested in flying to Peking.

Commenting on fares policies, Mr. Van Rafelghem says he is opposed to the extension of ultra-cheap fares in Sabena. "Our passengers are not so much tourists as business travellers, who want a quiet flight, a good flight, without problems, on time and with reliable service and so on. This we feel we already offer for the most part, but we are trying to improve it. But, while like others, we are trimming our prices, we are not coming down to the foolish levels of some other airlines."

"For example, we do not believe that Stand-By fares are all that beneficial to us. We do not have them at present, and we do not intend to offer them. I think that ultra-cheap fares and the best possible service are not compatible. We want to offer the latter, and of course, good service means personal service. You have to pay people for serving others. You can't serve people by machines."

As a philosophy, it appears already to be working for Sabena. Mr. Van Rafelghem still has four years or more of his five year plan to go, but on present form, he seems well set to achieve his ambitions.

System Dynamics—Applications in Strategic Planning. London. June 18-22. Fee: £350. Details from Joint Programme Director, London Business School, Sussex Place, Regent's Park, London NW1 4SA.

Product Management, Brussels. June 25-28. Details from Management Centre Europe, avenue des Arts 7, B-1040 Brussels, Belgium.

## BUSINESS COURSES

The Art of Managing Your Department, London. May 25. Details from Conference Department, British Institute of Management, Management House, Parker Street, London WC2B 3PT.

Financial Systems, London. June 25-27. Details from AMR International, 6/10 Frederick Close, Stanhope Place, London W2

When God Can Take The Blame—Seminar to Define Force Majeure, London. June 25. Fee: £80 plus VAT. Details from Legal Studies and Services, Norwich House, 11-13 Norwich Street, London EC4A 1AB.

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# The Party Leaders

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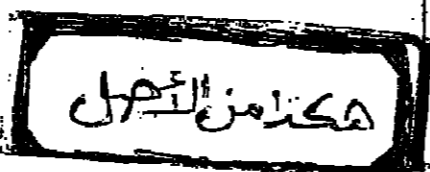
Chairman: Gordon Burns

Co-Producers: David Kemp and Brian Morris

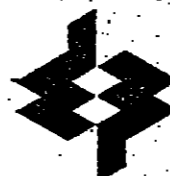
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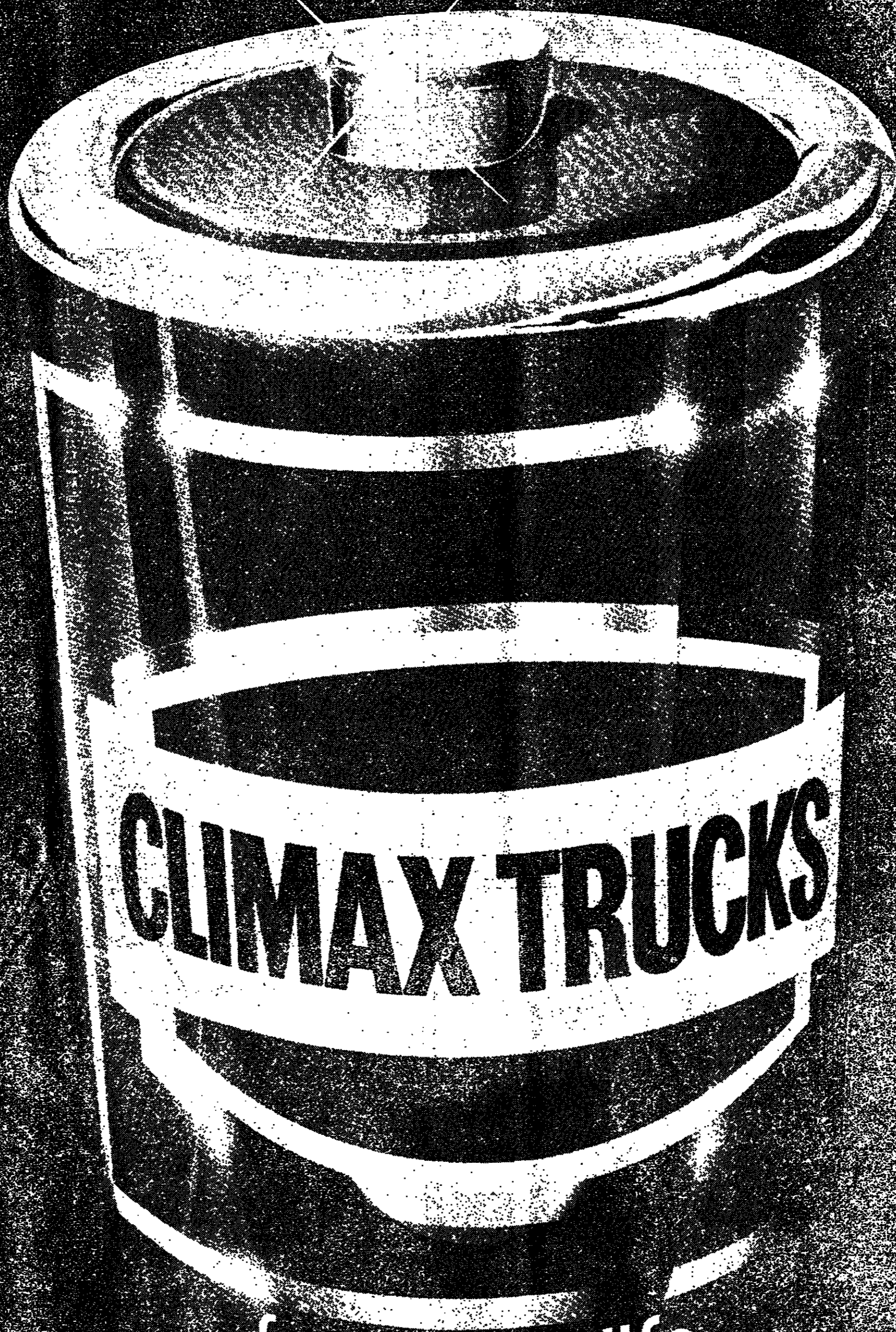
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# Do what I say not what I do

By SAMUEL BRITTAN

A SUSTAINED attack is required on restrictive practices if all levels. Procedures, however desirable in the past, which stand in the way of improved performance must be re-examined. This is the only basis for sustained expansion and a growth of real earnings.

How many times have we read similar statements of obvious and over-familiar truths in government White Papers? Such statements were staple fare in a time of Cripps. They have been repeated by all subsequent governments and will no doubt be reiterated by the next administration, whatever its political complexion.

The statements remain the same, partly because the problems do. But also because the people who write them are the upper civil servants—the permanent politicians as they have been so aptly called—who stay at their desks from one election to the next. And it is officials, not ministers, who draft documents as well as advise on their contents.

You might then expect them to take an equally strong stand against restrictive practices on their own patch of ground. Or knowing human nature you might not. And in the latter you would be right.

### Dilution

The Administrative Civil Service has long operated a virtual ban on dilution by outside entrants who have not gone through the craft apprenticeship of training on the job. A Permanent Secretary advising a minister will normally have spent the past 30 or 40 years working in Whitehall. This is a striking contrast to even the most bureaucratic private concerns where even if internal promotions are preferred some outside appointments always take place, and a little head-hunting is encouraged.

There have, of course, been some small breaches in this wall in the past decade or so. A few middle level officials and business executives have gone on one or two-year interchange schemes. But there has not been a dagger here of a permanent infusion of new blood. There has also been a limited competition for late entry Principals; but this is still a far cry from opening the top posts to competition. Late entry is more usual among professional grades, whether engineers or accountants; but these are proportionally on a top but not on top. There have also been the well-publicised and very temporary political appointees.

But the idea first advanced by academic writer, Brian Chapman, as early as 1962, that senior posts above Assistant Secretary

IT COULD hardly have been expected that litigation over the marketing of a drug prescribed as a sedative for epileptic patients would provide the most significant legal ruling on freedom of speech in recent years. Yet when The Sunday Times wanted to publish an article in 1972 alleging that drug manufacturers had been negligent in testing the side-effects of thalidomide, on pregnant women it was met with the threat of being in contempt of court, because for some years the manufacturers had been waging a protracted litigation with the parents of grossly deformed children. Trial by newspaper was the cry that went up from the drug manufacturers and the earnest supporters of a fair administration of justice.

Last week's ruling from the European Court of Human Rights is a triumph for those lobbying for freedom of information.

In 1972 the Attorney-General of the day (Sir Peter, now Lord, Rawlinson), wearing his political hat as guardian of the public interest, took The Sunday Times to court and obtained an injunction restraining publication of the article so long as the litigation over thalidomide continued; a temporary and not permanent damper on publication.

Early in 1973 The Sunday Times snatched a victory from the Court of Appeal, only to

be thwarted by the same Attorney-General taking the matter to the House of Lords, and successfully, in July, 1973, having the injunction reinstated. In June 1974, at the point where the last of the parents were settling their claims against the manufacturers, the injunction was discharged. After nearly four years the contentious article, with minor modifications, appeared for all to read.

Throughout the fascinating forensic exchanges and learned judgments: the contest in the English courts has been between the freedom of expression and the fair administration of justice. The latter triumphed because the judges thought that the tragedy of the thalidomide children as emotively portrayed in incomplete if not unreliable newspaper stories would swamp a fair consideration of the manufacturers' defence to the charge of carelessness.

Lord Reid put it in the most compelling way: "What I think is regarded as most objectionable is that a newspaper or television programme should seek to persuade the public by discussing the issues and evidence in a case before the court, whether civil or criminal, that the court will do wrong." In other words, while the best test of truth is the power of the thought to get itself accepted in the competition of the market, judicial truth is entitled to have its say first and the public must wait any other view of the truth.

That indefatigable fighter for Press freedom, Mr Harold Evans (editor of The Sunday Times), was far from beaten. He took his case to the European Commission on Human Rights, and last Thursday the European Court of Human Rights vindicated his stand. By 11 votes to nine (each member-State of the Council of Europe has a judge on the court), the Court held that, unlike the House of Lords interpreting the contempt laws of England, it was not faced

with a choice between two conflicting principles, but with a principle of freedom of expression subject only to a number of exceptions which had to be narrowly interpreted.

Article 10 of the European Convention on Human Rights guarantees not only Press freedom but the right of the public to be properly informed. The families of the victims of thalidomide who were unaware of the legal difficulties had a vital interest in knowing all the underlying facts and alternative resolutions of the litigation. It would be right to deprive them of the information, com-

and the public must wait any other view of the truth. That indefatigable fighter for Press freedom, Mr Harold Evans (editor of The Sunday Times), was far from beaten. He took his case to the European Commission on Human Rights, and last Thursday the European Court of Human Rights vindicated his stand. By 11 votes to nine (each member-State of the Council of Europe has a judge on the court), the Court held that, unlike the House of Lords interpreting the contempt laws of England, it was not faced

### THE WEEK IN THE COURTS

BY JUSTINIAN

as any Press comment on the cases they have to try (particularly appellate judges) the injunction was more designed to protect the manufacturers from having to develop their defence in public and in advance of any trial that might take place.

It would be wrong to think that the court's decision is a judicial slap in the face of the House of Lords. It is not. The European Rights Court accepted that the Law Lords correctly stated the English law on contempt of court. That is left untouched until Parliament, in compliance with the obligation now imposed by the courts,

decision, changes the law—3 change in any event advocated by the Phillimore Committee that reported shortly after the Lords had ruled in favour of the injunction.

But what is significant is that none of the 11 English judges who heard the case as it went up the hierarchy of courts alluded at all to the possible impact of Article 10 guaranteeing the freedom of expression.

Times have changed, even among the judges. There is now a growing awareness of the impact of fundamental rights, even if with impeccable legal logic the courts have declared that the European Convention on Human Rights is not part of English law. Only just before Easter Lord Diplock went out of his way to warn that the law of criminal libel is irreconcilable with the concept of Article 10.

He said: "The examination of the legal characteristics of the criminal offence of defamation libel as it survives today, which has been rendered necessary in order to dispose of this appeal, has left me with the conviction that this particular offence has retained anomalies which involve serious departures from accepted principles upon which the judge considered that the Law Lords correctly stated the English law on contempt of court. That is left untouched until Parliament, in compliance with the obligation now imposed by the courts,

## Piggott chooses Jeroboam as his 2,000 Guineas mount

RIDING PLANS for the 2,000 Guineas prospects now seem nearly complete, following the news that Lester Piggott will be aboard Jeroboam and that Yves Saint-Martin will probably partner Lyphard's Wish. The riding arrangements for Lyphard's Wish has been extraordinarily, and both Cecil and

might well prevent his stepping in.

Now, following the news that Junius, a disappointing fifth behind Gerald Martin at the Curragh on Saturday, will miss the race, Piggott has had to switch. Jeroboam is his choice. Fate plays some extraordinary games and the irony of a victory for Jeroboam with Piggott a late substitute is certainly not such a remote possibility that it can be totally discounted.

We should certainly know a little more on the subject by Thursday evening. It was at the Craven meeting that Harry Wragg's colt almost succeeded in foiling a major gamble on Lyric Dance in the Fote Free Handicap. A win or narrow failure by Trex's Lyric Dance in the 1,000 Guineas on Thursday afternoon will see many turning to Jeroboam at around 14:1 for arguably the best each-way value in a 2,000 Guineas which may not require a tremendous amount of winning.

Yves Saint-Martin, who has ridden some memorable races over the Rowley Mile, flies in on Tuesday and will be partnering Lyphard's Wish in his final piece of work Wednesday morning.

## THE WEEK IN THE COURTS

BY JUSTINIAN

as any Press comment on the cases they have to try (particularly appellate judges) the injunction was more designed to protect the manufacturers from having to develop their defence in public and in advance of any trial that might take place.

It would be wrong to think that the court's decision is a judicial slap in the face of the House of Lords. It is not. The European Rights Court accepted that the Law Lords correctly stated the English law on contempt of court. That is left untouched until Parliament, in compliance with the obligation now imposed by the courts,

## ENTERTAINMENT GUIDE

THEATRES

THEATRE OPERA & BALLET

Coliseum, Grand Opera, Royal Opera House, Sadler's Wells, etc.

BBC 1

BBC 2

BBC Radio

F.T. CROSSWORD PUZZLE No. 3959

1. It's a business to get me to face a row (6)

2. Supporters find a job in beer (8)

3. Cried like the carpenter without bitter (4, 1, 4)

4. It's ruff about mother (5)

5. A national horse (4)

6. A noble purpose fine when camping (4, 6)

7. Guaranteed confident in a finish (7)

8. A little science gets the edge on an egg-head. That's the plan (6)

9. Silver coins from butters? They're about right (6)

10. Peace? Put that in your pipe (7)

11. It must be common for us to do what the young porker did (2, 3, 6)

12. An observation that is, we hear, correct (4)

13. A revolver to be found in the underworld (5)

14. Ran back to share the tale (9)

15. Troubled spots start to spread (8)

16. Sound forbearance in the river (6)

17. Communications find a wise man in confusion (8)

18. The first World War brings him to mind (3, 6)

19. Finished up in a Dutch town (4)

20. Cuts about this period for processors (7)

21. Powerful influence in a fortress (9)

22. Subject from a Belgian town (5)

23. Thule's confused detective (6)

24. We have little time for this supporter (8)

25. They are said to think alike (5, 5)

26. Preserves if found among mothers (9)

27. Alfred's hiding-place (8)

28. Trap for woodcocks? (7)

29. That makes her go inside to weep (6)

30. Some GI may exhibit selfishness (8)

31. The stuff appears or it will shortly (5)

32. The fish for one to note (4)

TV Radio

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THE ARTS

ENGLISH BACH FESTIVAL

Elizabeth Hall

Athaliah

by RONALD CRICHTON

On Friday the English Bach Festival returned to Handel's Athaliah, which they gave 15 years ago in the Sheldonian Theatre at Oxford...

in limbo between the styles of opera seria of which he had long been master and of English oratorio, hugely dramatic in different ways, in which he was to become supreme.

The excellent Miss Harry delivered her big vengeance aria in Part 2 with icy precision. For the queen's short, but venomous outbursts in Part 3 she rightly avoided anachronistic 19th-century dramatic style...

The most consistently satisfying solo singing came from John York Skinner as Joad. Lillian Watson and Paul Hudson sang Josabeth and Abner adequately without arousing much interest in either character.

Yet this performance did not suggest that the music, however innovative, is memorable in Handel's great vein. There is a feeling of being suspended

and further suggestions of secret canines and watchful sympathy. Nesterenko's fastidious line made a difference; Alexander Vedernikov's ripe Khovanshchina was a broader sketch, like V. I. Romanovsky's Shalovsky, though in the simple terms of this staging they both carried out impressive weight.

Aldwych

The Taming of the Shrew

by B. A. YOUNG



Paola Dionisotti and Jonathan Pryce

Not all the characters in The Shrew are as mad as Petruchio and Katharina, but most of them carry eccentricity beyond the point where it would be tolerated in a normal society...

played by the heart is in hunting pink being an offstage baying of hounds at the end of the evening.

Well, Christopher Sly is not of much importance. Mr. Bogdanov's induction is, though, for it sets a mood of dotty excess that is maintained all the evening and ensures that we forget the brutal events of the main plot (not to mention Kate's final anti-feminist diatribe) only as jokes.

This Sly proves important for another reason, for he turns into Petruchio, stealing away from the Paduan citizens among whom he finds himself, to reappear later on a motor-bike, Grumio behind him on the pillow. Apart from a change of accent and a greater fidelity to Shakespeare's lines, Jonathan Pryce retains most of Sly in

Petruchio, faintly suggesting that Sly dreams the whole thing. It is a marvellously funny performance, played in music-hall fashion with one eye on the audience and the other on the stage.

Paola Dionisotti makes the most of her commanding chin as Kate, yet softens into a gentle wife after the dreadful conditioning she has been subjected to in her early married life.

The complexities of Bianca's wooing, with all those impersonations, give less room for outright farce, but nothing like romance is allowed to creep in. Mr. Bogdanov clearly believes that Shakespeare had his tongue in his cheek when he wrote that male-orientated conclusion.

The Theatre Upstairs

Psy-Warriors

by B. A. YOUNG

In a world of full of terrorism and revolt as our distracted globe, it is natural, and right, that the young writers should be obsessed with the problem of military security.

David Leland's play has found a way of presenting the arguments on both sides with more or less equal force by imagining an Army psychiatric unit that trains Army volunteers to behave like guilty conspirators under interrogation...

Psy-Warriors seem to me to belong, amidst madrigals, as much to a boy's adventure yarn as to a serious inquiry into human rights. At any rate, this ensures close attention to the development of events and concern with their outcome.

hardened in her hatred of terrorists. But a young infantry officer, who has been judged a complete success and ready to go out and work with an underground unit in the Gulf States...

BBC 2/Radio 3

Khovanshchina by DAVID MURRAY

On Saturday evening, the BBC brought us the Bolshoi Opera in full cry for the penultimate evening of the splendid Opera Month.

What we saw missed both the accelerating sweep of momentous historic events in the long view, and on the personal scale the sharply selected details of character.

The Western conception of a producer's function in focusing and clarifying the dramatic shape of an opera has evidently not taken root in Moscow.

passion, and further suggestions of secret canines and watchful sympathy. Nesterenko's fastidious line made a difference; Alexander Vedernikov's ripe Khovanshchina was a broader sketch...

Festival Hall

Lina Lalandi

by NICHOLAS KENYON

Miss Lalandi moves in a mysterious way her wonders to perform. Having assembled for her Festival Hall concert on Friday, she proceeded to use them in only one work (Bach's Magnificat), clearing the stage in the second half and reducing the players to a chamber ensemble...

a cutting edge through the times of "Et misericordia", a pity their precision was not matched on the whole by the conventionally-voiced soloists or by the commendably adventurous but insecure players of the slide trumpets.

Mr. Parrott might have been forgiven for playing safe and following his performers, but he is not a conductor to conduct anyone else's idea of a work, and this Magnificat was completely individual: sparklingly alive in its articulation, bouncing with rhythmic life, but relaxing in the solo numbers into a light-footed lyricism...

The Swedish soprano Helena Döse is well-known to British opera-goers for her appearances at Covent Garden and Glyndebourne, but Saturday night's Wigmore Master Concert was her first London recital.

Wigmore Hall

Helena Döse by ELIZABETH FORBES

The Swedish soprano Helena Döse is well-known to British opera-goers for her appearances at Covent Garden and Glyndebourne, but Saturday night's Wigmore Master Concert was her first London recital.

For her final group of songs by Richard Strauss, the Swedish soprano produced a greater refinement of tone, as well as a more sculptured line than she had hitherto obtained.

The springtime joy and ecstasy of songs such as "Befreit" and "Cécile," were admirably projected. Geoffrey Parsons was always the model accompanist, also caught the rapturous mood of these Strauss settings.

Wigmore Hall

Rosemary Brown

by DAVID MURRAY

There may be readers who haven't heard of Mrs. Brown. She is a widowed housewife who writes down pieces of music at her piano, with only rudimentary musical training.

other is that the pieces often capture the tone, and indeed the keyboard manner, of their putative composers extremely faithfully.

styles of the composers in question, though there is a curious "Grubelet" which really might be late Liszt, usually the manner echoed is that of an earlier, more familiar period of the composer's work.

Council to buy theatre

The Key Theatre at Peterborough is to be bought by the city council, which plans to run it as a public amenity.

The 400-seat riverside theatre opened six years ago at a cost of £15,000 and was financed through grants and a public appeal.

RUGBY BY PETER ROSSINI

Radical change brings problems

THE PAST 20 years have seen tremendous changes in the laws of Rugby Football and as a result the style of the game has changed quite radically.

scoring a try. The picture of J. P. R. Williams on the balcony at Cardiff after the Welsh victory over England, arms raised like some Messiah, seems to me to be totally lacking in dignity and quite alien to the spirit of the game.

support to the Varsity match. English Rugby seems well sponsored.

of them into an English jersey and the glory of the Bridgend scrum-half, Gerald Williams, was most impressive.

There are, unmistakably, more chances to attack and more space to use than ever before and so there are wider opportunities.

It took time for sponsorship to be accepted by the establishment and rugby's administrators move cautiously in this field.

Admittedly, Pontypridd kicked rather poorly but Williams was always there to cover and launch a counter-attack. The Bridgend passing was also crisper than anything seen at Twickenham and, of course, there was also Fenwick's boot to stress the necessity of that particular skill.

Bridgend also had in Viv Jenkins, their left-wing, their quickest and most adventurous man on the field. They also had the marvellous support from their flankers Jones and Gareth Williams.

When we talk about the game we do not just mean the activity of 30 men for 80 minutes on a Saturday afternoon. We must also consider the traditions and the whole ethos because although many advantages have accrued from the spread of an enthusiasm for the game, progress has brought its problems.

Obviously any company investing money in sport wants a say in how and where it is spent, but thankfully those companies who provide rugby sponsorship have been sensible enough to be guided by those they sustain.

Of course every sponsor wants to see his particular event as a national success and it can be safely said that Schweppes has a winner in its support of the WRU Cup.

It has put in £80,000 over three years and has merely asked that as wide an area as players should benefit and especially the young. On Saturday, Bridgend and Pontypridd played to a full house with Bridgend winning an absorbing game 18-12.

My views on the growing violence in Rugby are well known, but I also worry about such things as poor crowd behaviour. It is extraordinary that even the Scottish Rugby Union has had to make a programme appeals this season for silence when kicks at goal were being taken.

The occasion highlighted the great depth of talent the Welsh have. Both sets of half-backs were skilful enough to put any

the occasion highlighted the great depth of talent the Welsh have. Both sets of half-backs were skilful enough to put any

SOCCER BY TREVOR BAILEY

Palace hit form at the right moment

THEIR 2-0 victory over Notts County at Selhurst Park on Saturday, combined with the fact that only Brighton of the four other contenders secured a win from a home fixture, has bolstered Crystal Palace's chances of promotion just when it was beginning to look as if this young and comparatively inexperienced side would have to wait another season for First Division football.

gifted Hilda delicately infiltrated the County defence before providing Swindlehurst with a perfectly weighted pass from which he scored with the home supporters roared their approval and then, until the rampaging Murphy, put the issue beyond all doubt, with a spectacular shot in the closing minutes, spent what must have been for them, just about the most entertaining and exciting afternoon of the entire season.

Crystal Palace are interesting to watch, with a positive, attractive style, and several outstanding young players. The three who caught the eye and imagination were a full-back, a half-back and a forward, which is most encouraging for any team seeking that balance in all departments which is so essential. Sanson is already one of the best attacking left-backs in the country.

fuse his own side, almost as much as the opposition. The talents of Duncan McKenzie have never been fully exploited, and Rodney Marsh ought to have had an even more distinguished career. Many brilliant individuals have failed to make any major impression after a few rare notices. With Terry Venables to guide him, Hilda should escape that fate and could become a great footballer.

Although at the moment occupying fourth place in the table, they have a game in hand over the three other contenders, while West Ham, in fifth spot, have virtually dropped out of the race. This means that two wins would leave them undisputed champions, and three points guarantee their going up whatever happens to the others.

A goal down, the visitors superbly promoted by Masson in midfield, set out to level it to do so in the first half. They produced much fine creative play in which they hit the bar, a post, and exposed many cracks in the Palace rearguard.

Totally involved midfield players able to dribble past opponents and storm through from behind to score have been an important reason for Liverpool's success. Murphy, in his first full season for Palace, has shown that he is fashioned in that mould.

Of Palace make the First Division, they will need strengthening. This was very apparent on Saturday, when they not only missed too many chances, but they were not tight enough at the back, though they possessed an excellent defensive record.

After a nervous start Palace took an early lead when the

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What really went wrong at Three Mile Island

By DAVID FISHLOCK, Science Editor



Control room of Three Mile Island 2 nuclear plant with (from left) Dr. Harold Denton of the NRC and Pennsylvania Governor Richard Thornburgh briefing President Jimmy Carter on the reactor accident a week previously.

An American enigma

IN THE last month, the U.S. business community has been puzzling over a remarkable spectacle. The Carter administration, previously known for a populist distrust of bankers, has been pressing for a further tightening of credit.

Contradictory The main indicators, if taken at face value, tell a contradictory story. The disturbing rise in the inflation rate, the persistently high demand for credit, and the current crisis over oil imports all suggest an economy which still urgently needs cooling, apparently con-

Dangers There are still some very disquieting signs in the U.S. it is true. The wage outlook is likely to be sharply worse, after the Teamster's strike and the rise in domestic prices—though not so bad as it would have been had the Administration enacted its dangerous proposals for real-wage insurance.

On the whole, however, there seems a reasonable chance that the U.S. economy will for some time continue to perform better than most forecasts in real terms, with an improved balance of payments offset by a price performance far worse than Administration forecasts—now admitted to be over-optimistic. The main internal danger is monetary: the Fed appears to be losing control of the monetary system, and in a country, it also reflects the relative lack of success within Western Europe, particularly the EEC.

Problems in engineering

IN THE general enthusiasm for micro-processors and other forms of advanced electronics it is sometimes forgotten that the mechanical engineering industry, much of it producing fairly conventional plant and machinery, remains the bedrock of Britain's export performance.

Capacity Despite the recovery in capital investment last year, which is expected to continue at a slower rate in 1979, demand for mechanical engineering products in the UK is still probably below the 1973 level. Most of the industry's customers are operating well within their capacity limits.

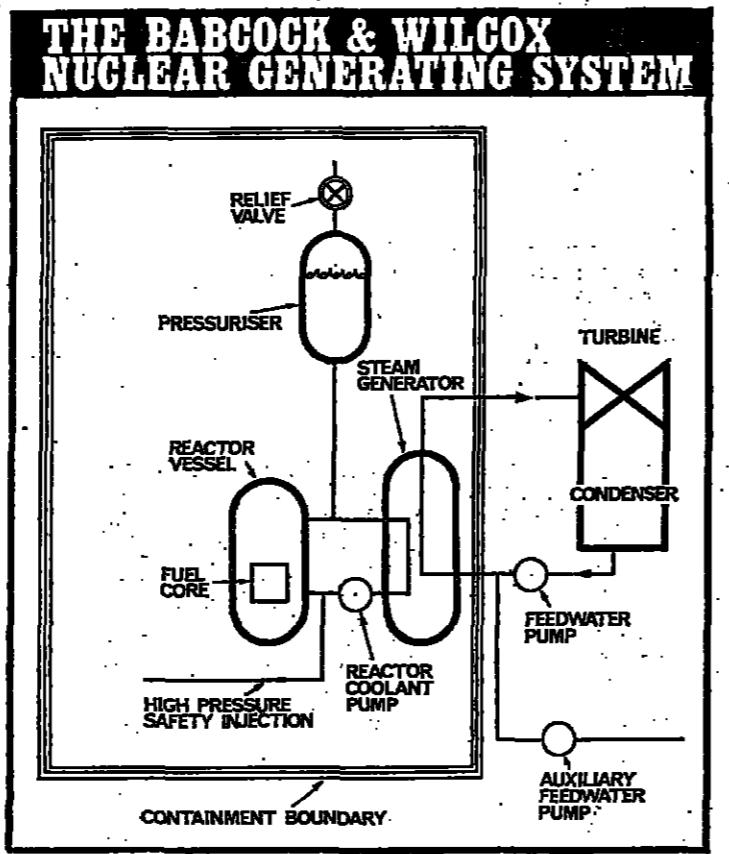
Home market One of the tables published in last week's report shows estimates of recent changes in the volume of the industry's net sales, exports and imports. The only item which showed a volume increase between 1975 and 1978 was exports.

Overseas the industry has had to cope with the virtual disappearance of the Iranian market, which had accounted for more than 3 per cent of UK mechanical engineering exports. Cutbacks in other Middle Eastern markets and in

TELL YOU, I'm learning a lot. This is an education." Mr. Peter Bradford confessed to his four fellow commissioners on the U.S. Government's Nuclear Regulatory Commission (NRC) at one point in the long hours of discussion which followed the reactor accident on Three Mile Island, Pennsylvania. He spoke for them all. The transcripts of their discussions make plain that of the five regulators only their slight, silver-haired chairman, Mr. Joseph Hendrie, had any real understanding of how America's 145 electricity-making nuclear reactors work.

Popular film The China Syndrome introduces a new word to popular language: meltdown. The title is a scientific joke, a fantasy dreamed up by scientists with an American national research centre who postulated that if an American reactor ran amok to the point where its fuel fused into a big ball of molten uranium, the seething mass might bore a hole right through the earth to pop up again in China.

Blue ribbon inquiry For the last word on this matter we will have to wait at least until President Carter's "blue ribbon" inquiry commission reports in six months' time. Other major investigations are being made by the NRC and by the huge task force of 800 engineers and others assembled under Mr. Dieckamp himself to take care of the hapless reactor.



MEN AND MATTERS

Island issue comes home to roost "Good Lord, no. We're not campaigning against David Owen or anyone else," Grenville Jones told me in mildly horrified tones.

Deficit Last year almost 80 per cent of the industry's trade surplus was accounted for by the Middle East and other developing countries. While this underlines the UK's dependence on continued free trade with these countries, it also reflects the relative lack of success within Western Europe, particularly the EEC.

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capacity—say, one-sixth of the capacity of Britain's Central Electricity Generating Board. It serves about 4m people and had the distinction in 1964 of being the first U.S. utility to order a big nuclear plant, the Oyster Creek station, brought into operation by another of its subsidiaries in 1969.

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Not properly understood Nevertheless, there was a strong case for closing—temporarily at least—all of the Babcock and Wilcox reactors. It was put last week to the five commissioners of the NRC by Dr. Denton, who said that the choice lay between shutting plants now, for one or more months, or finding remedial measures which could quickly be taken to avoid any risk.

Electricity costs Mr. William Kuhns, chairman of GPU, spelled out the problem to a Senate hearing last week. With two plants down it was looking bleak for other utilities at a cost of about \$24m a month. But it is forbidden at present to pass any of this cost on to customers.

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some three megawatts, one-thousandth of that of the reactor at full power—cannot cause any further leaks of radioactivity. Then they must tackle the unpleasant task of repairing the damaged reactor core, and replacing the steam generator (boiler) dried out in the accident. The steam generator has probably been irreparably damaged. But the reactor core, it is now believed, may be much less severely damaged than has been forecast, to judge from the way coolant water is able to circulate. There is no evidence that a meltdown of even one fuel assembly ever began.

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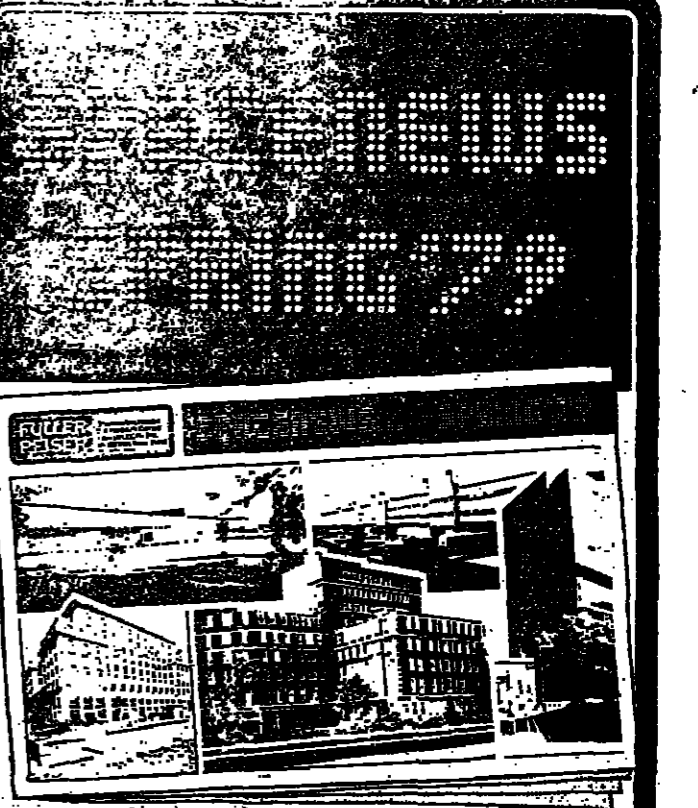
Mission message

On the west coast of the U.S. there is at least one resident whose letter I have in front of me and feeling somewhat baffled by the tones of an appeal from the Most Reverend Denis Hurley, the Catholic Archbishop of Durban in South Africa.

Yoked nest-eggs Amid general acclaim for the measures to protect depositors enshrined in the new Banking Act, one paragraph has gone almost unnoticed: the Act excludes from protection deposits paid to an institution by a director, controller or manager of the institution, or the wife, husband, son or daughter of such a person.

Fairly absolutely It would not be right to suppose that Robin Martin, who resigned on Thursday after 17 years as chairman of the Tarnac group, was sacked by the Board. "Absolutely not," according to the new chief executive Eric

Don't forget it Heard from a woman to her small son at a London exhibition: "Now remember, Ian—if you get lost, come right back here."



Advertisement for Fuller Peiser, a professional property adviser. The text includes 'A down to earth commercial & industrial property guide available from FULLER PEISER' and contact information: '3-4 Holborn Circus London EC1N 2HL Tel: 01-353 6851 Telex: 25916'.

economic back in the rails

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# FINANCIAL TIMES SURVEY

Monday April 30 1979

مكتبة الصلح

# Argentina

General Videla's two years of authoritarian rule since the 1976 coup have turned Argentina back from bankruptcy and encouraged financiers to flock to Buenos Aires as the country's financial strength surges. The problems that must be tackled now are the galloping inflation rate — the world's highest — and the bitter and violent political undercurrents.

## Economy back on the rails

By Hugh O'Shaughnessy

FOR THE past three years Argentina has been the darling of the world banking fraternity, and financiers have beaten a path to Buenos Aires, offering ever more mouthwatering terms for loans. Part of the reason for the flock of lenders was the extreme liquidity in the banking centres of the northern hemisphere, but a good part too was the fact that in the Argentine capital there was a group of people, led by one man Sr. Jose Alfredo Martínez de Hoz, with whom the bankers knew that they could talk.

Sr. Martínez de Hoz became the Minister of Economy and undisputed economic overlord of Argentina within a few days of the coup d'état of 24 March, 1976 in which General Jorge

Rafael Videla overthrew the crumbling, chaotic and discredited Government of General Peron's widow, President Maria Estela Martínez de Peron.

In the past three years he has had free rein to select his policies, and he has had some tremendous strokes of good luck. He has not had to worry about party political opposition or trade union pressure. General Videla put the parties and the unions in a muzzle.

The incoherent policies of a President who was constantly on the point of nervous hysteria and who was blessed with neither the force of personality nor the intellectual capacity to rule a country the size of Western Europe and a fractious population of more than 25m were done away with. General Videla put his trust in the orthodox economic liberalism of the Old Etonian Martínez de Hoz and protected him from the assaults of the critics even when these critics were to be found among the members of the military junta, who shared power with Videla.

The Economy Minister moved fast to capitalise on his own personal acceptance in foreign banking circles and on the relief felt by Argentina's creditors that the country's bankruptcy and inability to meet its most pressing international obligations were being taken in hand. In tours of the U.S. and Europe Martínez de Hoz bought time for Argentina

to pay. He was helped by bumper harvests, which in 1976 gave Argentina a trade surplus of \$1.04bn, the following year one of \$1.5bn and last year \$2.4bn.

As a result of Sr Martínez de Hoz's good luck and good management, the days of bankruptcy are over and Argentina's international reserves are approaching \$7bn.

The turnaround in the external position has been dramatic and is reflected in the favourable rate of the peso against the dollar, which makes Argentina one of the most expensive places in the world for a foreigner to live. Conversely what was a joke a year or so ago that only rich Argentines could spend their holidays in an Argentine resort such as Mar del Plata while the poorer Argentines were condemned to spend them in some inhospitable place like Miami or Cape Town has taken on reality. In the summer season just ending there has been tremendous demand for aircraft seats from Argentines eager to take advantage of the cheapness of the dollar.

In the internal sector General Videla and his minister have pushed through a set of measures aimed at controlling the inflation which in early 1973 was running at around 50 per cent a month, cutting the budget deficit and opening the highly protected Argentine economy to the winds of international competition.



President Videla: some tremendous strokes of good luck

The imposition of such policies has produced some curious results. Last year the gross national product fell by 4.1 per cent, and the fall in industrial production was around 7.9 per cent. But at the same time the financial sector boomed.

The recession has brought no great upsurge in unemployment, which today stands at only 1.8 per cent of the workforce according to official figures. The explanation appears to lie in the need of many of the more poorly paid to find one or two jobs at any cost and any wage, and in

the decision of the military junta to avoid at all costs a pool of unemployed who could create political trouble for General Videla.

At the same time the rise in the cost of living, while not on the threshold of hyperinflation such as was the case during the last days of the Peron Government, is still beating world records. Last year the official index of inflation was 169.8 per cent. Realists say it should more accurately have been put at around 220 per cent.

Gross fixed investment fell by no less than 10.7 per cent last year and there are few signs, if any, of new investment by private business.

The question is now being posed in Buenos Aires as to whether these results are sufficient fruit for years of authoritarian Government that General Videla has imposed on the country and whether there will not be a political reaction to the Videla-Martínez de Hoz scheme of things which will bring down the whole fragile edifice once again. The lack of any great commitment to invest by the private sector appears to suggest that many businessmen think that this is exactly what will happen.

As is the wont with most governments, the Argentine Government puts forward a very optimistic assessment about the future. One senior official argued to me earlier this month that the strong Videla-Martínez de Hoz axis would continue

until 1981, when the General is expected to step down from office. He added that he expected General Roberto Viola, the army commander and Videla's man, to become President in 1981, Videla himself returning to power in the election in 1985. He argued, too, that the present administration was more popular than it seemed because the reform of interest rates gave the ordinary saver in the street a chance of benefiting from the positive exchange rate for the first time in a long while. The appearance of long-forgotten consumer imports in the shops was a benefit about which many Argentines were enthusiastic.

## Divided

It is legitimate to have doubts about such optimism. In a country which is so highly politicised as Argentina and which has such a tradition of political instability, it is hard to take seriously political projections five years ahead. The political parties are certainly in no little disarray, the Peronists quarrelling, adrift and disorganised, the Radicals divided and often unhappy with an ageing leadership, the Socialists and Communists with little mass support. After three years of control by the military, the trade unions are also in a divided and disorganised state.

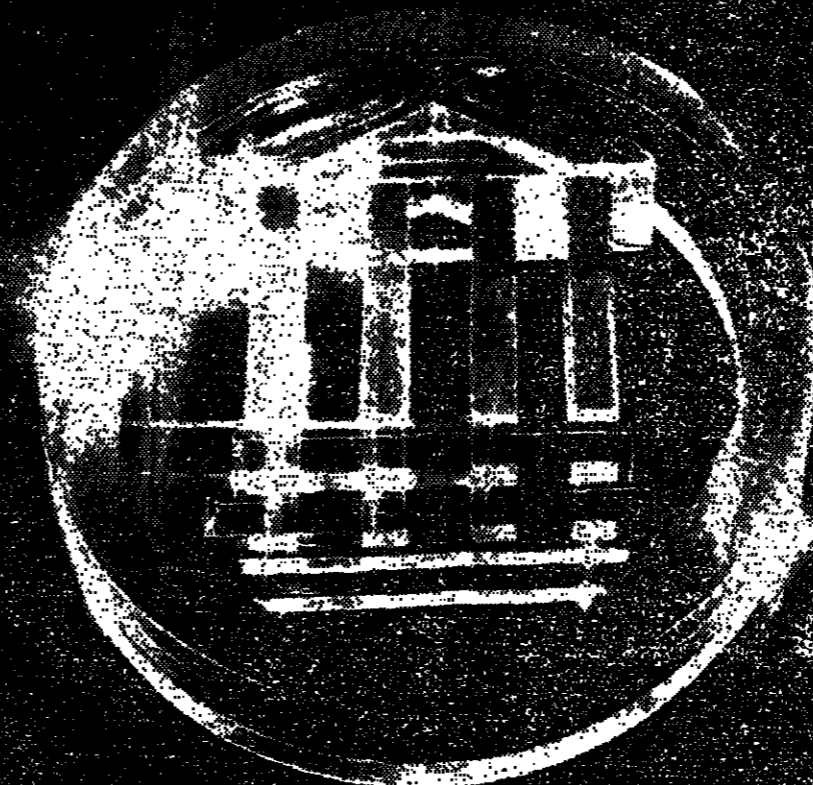
Nevertheless, the political/trade union mixture is seen by many to be a powerful and explosive one. Leading generals have confessed that party politics cannot be banished forever, while Mr. Raul Castro, the U.S. Ambassador, has forecast that labour relations are going to be unsettled in the coming months. There are constant rumours that a general strike will be called very shortly. At the same time there are signs of tensions among factions in the armed forces and among the armed forces themselves. The renewed spate of kidnappings, political murders and bank raids are seen by many as the work of the extreme Right. Meanwhile, the growth of nationalist, anti-Jewish extremists who run the magazine Cabildo and other similar publications, appear to be enjoying protection from the highest levels of Government. The fate of Sr. Jacobo Timerman, discussed elsewhere in this survey, and of others who have suffered worse fates than his, seems to bear out the feeling that the Right-wing factions in government are gaining power.

What is clear is that three years of military rule have brought any nearer that sense of political moderation and mutual respect that happier countries, such as Venezuela and Costa Rica, have developed. Under Videla, as under Peron and many other recent Presidents, Argentina is a rich, highly educated country continuously rent by the bitter strife.

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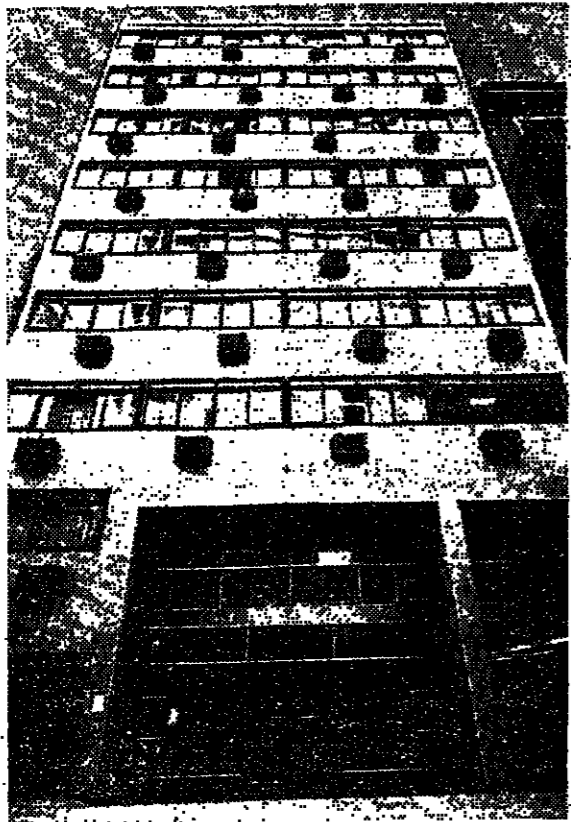
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ARGENTINA II

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# Economic recovery makes good progress

TO JUDGE whether "the spirit of April 2" 1976 — the day Dr. José Alfredo Martínez de Hoz, Argentina's Economy Minister, announced his programme — still exists — depends on one's viewpoint. If William Simon, U.S. Treasury Secretary under the Nixon and Ford administrations, is to be believed, the spirit is manifestly still with us. During a week-long stay in Argentina in March this year, Mr. Simon told a group of businessmen that Argentina "has made dramatic progress so far" in its economic recovery, adding: "You still have some way to go." Mr. Simon recalled that when Dr. Martínez de Hoz visited Washington in 1976 to explain his plans for Argentina's economic recovery, he (Mr. Simon) replied: "If I had the ability to adopt a programme in the U.S., this is the one I would adopt."

In Buenos Aires two months ago, Mr. Simon noted, correctly that in 1976, Argentina was "on the brink of bankruptcy," but that now the country "has a positive balance of payments and a strong financial position. . . . The path is the correct path." Last year Argentina registered a \$2.4bn trade surplus, 61.4 per cent better than in 1977, and an all-time record. Exports were \$6.35bn, or 12.3 per cent more than in 1977, and imports were \$3.95bn, 5 per cent less than during the previous year. In March Dr. Martínez de Hoz announced: "The crisis is over. Freely available reserves total \$6bn, compared with practically nil in March 1976, and all Central Bank foreign debts have been repaid." He said the recession was a thing of the past: "In fact, now the problem is one of not over-heating the economy."

David Rockefeller, president of the Chase Manhattan Bank, also visited Buenos Aires in March and, like Mr. Simon, spoke nothing but words of praise for "Dr. Joe," as the Economy Minister is often called.

Mr. Rockefeller told the Buenos Aires weekly Mercado, Argentina's leading business

publication: "I believe that no better economic plan exists for Argentina. At this moment, Argentina has a surplus in its balance of payments, and that is an excellent card with which to do business with the whole world. Argentina has turned its economic situation around in a very short period of time." The Chase Manhattan Bank has a major share in the Banco Argentino de Comercio, recently investing more than \$7m.

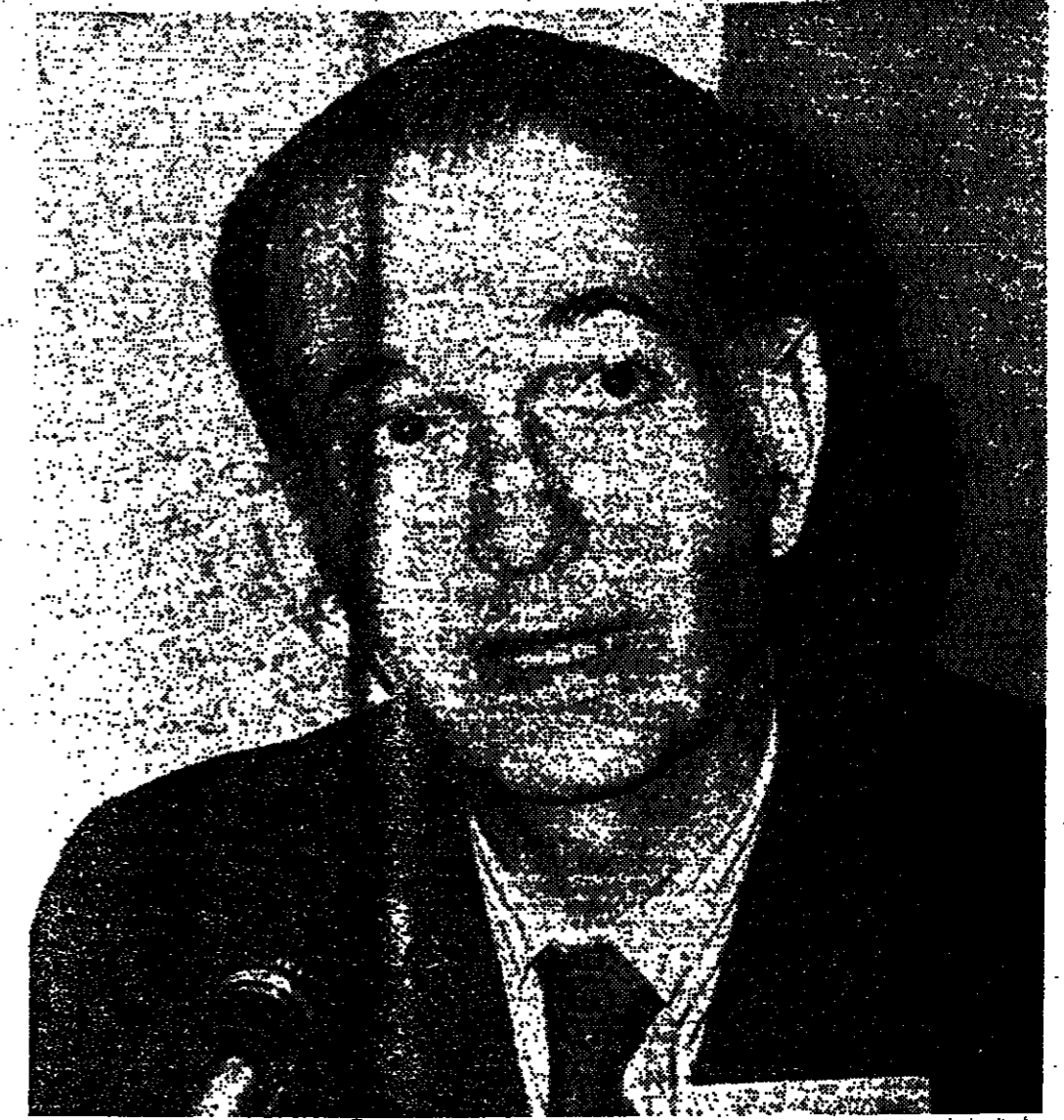
A dimmer view of the alleged successes of Dr. Martínez de Hoz's economic programme is taken by the Buenos Aires daily Clarín, which often champions the "developmentalist" policies of former (1958-62) President Arturo Frondizi against the liberal policies of Dr. Martínez de Hoz. In April, Clarín quoted with obvious satisfaction printed parts of a critical analysis carried in the March bulletin of FIDE, the Development Research Foundation. FIDE maintains that, "apart from the positive results which are not a consequence of a deliberate policy but of factors divorced from policy—such as the evolution of the world market price of meat or the starting of projects initiated several years ago in the industrial sector—the negative elements which impede the consolidation of a sustained recovery process remain immutable. Obviously, among these elements are the pressures of inflation."

Mr. Simon was not oblivious, of course, to the poisonous effects to the Argentine economy caused by inflation, which is the highest in the world—168.8 per cent last year —nor was Mr. Rockefeller, who said in Buenos Aires: "Certainly the rate of inflation is unacceptable."

At the time of the 1976 military coup d'état in Argentina, inflation had reached an annual rate of 920 per cent and was threatening to rise much faster. And for the first time in its history, Argentina—with only \$23m of freely available reserves—was about to default in its external payments.

The five salient points of Dr. Martínez de Hoz's economic programme, as he announced it on April 2, 1976, logically included the problem of inflation. At the time, the new economy minister said: "There exists no real possibility of reversing the crisis if the economy of the country is suffering and of achieving the objectives of the programme if measures to control and eliminate the inflationary scourge are not taken with energy and decision." The economic team's inability to do better than it has in reducing inflation is a major disappointment.

Also a disappointment has been the failure to comply with another of the important guidelines of the economic programme. As Dr. Martínez de Hoz put it more than three years ago: "It is preferably that there be an uninterrupted and constant growth (of the gross national product), even if it is, at times, not too spectacular. What is bad are ups and downs." An idle installed productive capacity amounts to the squandering of capital, the Economy Minister explained. But, although there was an upsurge of the gross national product after the 1976 coup, an upsurge which lasted for more than a year with an interest rates crisis at the end of 1977, it began to plunge again and now is scarcely higher than it was three years ago. The wasteful ups and downs continue.



The architect of Argentina's economic revival: Dr. José Alfredo Martínez de Hoz

The economic team has had more success in carrying out the other three leading aims of Dr. Martínez de Hoz's economic programme. Speculation and the black markets have virtually been made to disappear, although there is a tendency, which really does not amount to speculation, to hold money supplies in the financial market, deposited at high interest, instead of making reproductive investments. Similarly, price and exchange controls have virtually disappeared, although ceiling prices of some items—milk, wine, steel, medicines—remain, and measures regulating foreign trade have been much relaxed. Although a lack of official statistics makes it impossible to verify whether wage levels really have been preserved, as Dr. Martínez de Hoz said they would be, it is possible that the economic team's claim that wages today, in real values, are on the average somewhat higher than they were in June, 1976 is true.

Thirty years ago, Argentina's economy was in advance of

countries like Canada, Australia and Spain, and well ahead in Latin America. "What went wrong," Dr. Martínez de Hoz said the other day, "was a textbook closing of the frontiers—psychologically and literally—to world trade and participation. In the past three years, Argentina's economy has been emerging steadily from this state of isolation and re-asserting its place in the world. But the process has to be gradual."

### Closed

He went on to say that an entire generation of Argentine consumers, businessmen, industrialists and bankers have been brought up in a closed world of protectionism, massive state control and inflation bordering on hyper-inflation. "As we turn to a system in which market forces are allowed to apply themselves," he added, "the consumer has to learn that he has new rights, new influence and a voice which will be heard." The same goes

for the manufacturer and retailer as well, Dr. Martínez de Hoz said: "They have to adopt to the rules of a new game in a system in which private enterprise is the motive force, with the Government's role one of supervision rather than of rigid control."

Then he emphasised again that his programme is a gradual one. "Recent Argentine history has been one of cycles of deep recession — or of long-term problems, being solved by short-term solutions. We are determined to break out of that rhythm. The recovery plan adopted in March, 1976, had as its aim a far-reaching transformation of the basic political, economic and social framework. . . . The objectives of the economic plan are medium- and long-term, and short-term successes or difficulties have not swayed us from the long and arduous route we have chosen to take."

Robert Lindley

### SOME ECONOMIC INDICATORS

	1973	1974	1975	1976	1977	1978
GNP per capita \$1,730 (1977 World Bank)						
Inflation, per cent	40.0	335.0	347.8	160.4	169.8	169.8
Unemployment, per cent, April	4.7	3.2	5.1	3.6	3.9	3.9
Oct.	3.1	3.5	4.3	2.5	2.6	2.6
Output						
Growth in gdp, per cent	6.1	6.5	-1.3	-2.9	4.4	4.4
Growth in gnp, per cent	6.4	6.8	-1.5	-3.3	4.8	-4.1
Trade, \$bn						
Exports (fob)	3.27	3.93	3.00	3.9	5.6	6.4
Imports (cif)	2.23	3.64	3.99	2.86	4.1	4.0
Balance	1.04	0.29	-0.99	1.04	1.5	2.4
Net invisibles	-0.32	-0.17	-0.30	-0.47	-0.3	-0.3
Current account balance	0.72	0.13	-1.29	0.57	1.2	2.1

Rate of exchange (at March 1, 1979): U.S.\$1=1,103 pesos. (buying), 1,110 pesos (selling) (Transfers: Banco de la Nación).

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Fishing boats at Mar del Plata

# WATER AND POWER FOR THE ARGENTINE

## (AGUA y ENERGIA ELECTRICA)

Agua y Energía Eléctrica, as a decentralized Government Corporation, is responsible for the Generation, Distribution and Transmission of electricity throughout Argentina, as well as the irrigation of land throughout the country. In terms of sales, A y EE ranks among the twelve leading industrial companies in Argentina. Its 294 electricity plants (37 hydro, 241 thermal, and 16 hydro-thermal) have an installed capacity of 3,211 Mw, which represents 31.6% of Argentina's total installed capacity. It serves 8 regions (1,076 cities) in 21 of the 22 provinces into which the country is divided, and includes most of the provincial capitals. The Company operates 26,097 miles of transmission lines (low and high voltage). In addition,

it is responsible for the irrigation of nearly 741,300 acres of land in seven provinces. Agua y Energía Eléctrica is in charge of the operation and expansion of the power sector as a whole in co-ordination with the Energy Secretariat, and as such, is responsible for the management and operation of a substantial part of the National Grid (Sistema Nacional de Interconexión) as well as monitoring the National Load Dispatching System (Despacho Nacional de Cargas). The main objective governing this function is to allow the optimal use of generating capacity within the Grid through a co-ordination of the different utilities in the energy sector so as to achieve the most economical loading of the country's generating and transmission system.

### THE MAJOR OBJECTIVES

Of Ay-EE's Board at present could be spelled out as: the feasibility studies, construction, management and development of irrigation projects, protection of waterways and improvement of marginal areas of the country, as well as improvements to areas susceptible to flooding; the evaluation of water resources and rivers as regards their irrigation and energy potential; the study, development, construction and management of electrical generating plants, transform stations, main transmission lines and local transmission networks as well as the purchase and sale of electrical energy between the various electric and atomic national, provincial and bi-national utilities.

On December 28, 1977, AyEE was transformed into a decentralized Government Corporation (Sociedad de l' Estado) with the Argentine Republic as the sole shareholder. Its new status will provide the legal foundation for eventual operative and financial independence from central government policy, as well as permitting an improvement in its overall performance. As was true in its role as a Government Agency, AyEE will not be allowed to go bankrupt and its final liquidation as a Company can only be proposed and implemented by the Argentine Government. During the period 1966-1977, AyEE's total installed capacity and energy generation grew at average annual rates of 6.8% and 9.7% respectively. The average annual growth rate of AyEE's thermal generating facilities during this period was 7.2% while the comparable rate for hydro-electric generating facilities was only 5.8%. Studies and projects under way at present tend to maximize the development of the hydro-electric resources as a trend towards change in the output pattern and with a view to minimizing any possible dependence on the utilization of oil.

The Company has the responsibility for operating and managing the National Electric Grid which includes the purchase and sale of electricity to and from the various Utility companies which are members of the Grid, as well as the management and consolidation of the National Centralized Load Dispatching System's (NCLDS) operational policy, in accordance with guidelines to be established by the Energy Secretariat, which has stipulated that: the operation of all Electrical Utilities involved in the inter-connected Grid would be regulated by a Centralized Load Dispatching System (NCLDS) and co-ordinated through AyEE. In addition to its activities in the field of Electrical Energy, AyE is responsible for the Irrigation of nearly 741,300 acres located in the provinces of Jujuy, Catamarca, La Rioja, Santiago del Estero, Río Negro, Neuquén and Chubut. The Company also operates 143 miles of drainage canals in the provinces of Córdoba and Santa Fe which have been dug in order to protect 1,729,700 acres from flooding and which benefit over 500,000 people in these districts.

AyE's Irrigation system which represents 20% of the total irrigated areas of land in the country, includes the operation and maintenance of 2,485.5 miles of irrigation, drainage, and subsidiary canals.

Although AyE's Irrigation network covers

only 4% of the country's farmland, these areas alone account for 30% of Argentina's agricultural output. Similarly, the population density in the irrigated areas is of 78 inhabitants /per square mile—as compared with—eight inhabitants/ per square mile—in the non-irrigated areas.

### INVESTMENT PROGRAMME

Programmes are currently under way which envisage the completion of Electric generation and transmission work, in accordance with the provisions of the National Investment Plan for 1977-85 as also with the plans for the development of the National Grid. Furthermore, the above also includes plans referring to regional Electric and Irrigation systems under the control of AyE. To illustrate the point, it should be noted that the National Investment Programme for 1978-85 totals 4.5 billion dollars.

A revised Power Expansion Plan, based on a low-cost programme for expanding generating and transmission facilities, is being prepared by the Government. The Government intends to reorganize the Energy sector to achieve a more integrated long-range-planning and which will encourage the execution of those projects that represent the lowest-cost alternatives with which to meet Argentina's projected power needs. Attempts are being made to improve the financial health of the government Utility Companies through optimization of the quality of the projects which will be undertaken, and through the restructure of the present Tariff System.

Outstanding amongst the important projects currently under way, is the Paraná Medio (Middle Paraná) Hydroelectric Project, which is sited across the river Paraná and which will stretch for a total length of 372 miles all within Argentine Territory. The feasibility study for the project anticipates a yearly (mean) electric power output of 34,500 GWh from both low-head dams. It also includes a 21-foot depth navigation canal which is planned to be extended upstream (northwards) for 350 miles; levees for flood-control along the lowest banks for 145 miles; the reclaiming of 1,235,000 acres of currently floodable lands; the inter-communication by road across the dams; and the creation of a highly attractive centre for tourism and sporting amenities around the two great reservoirs which are to be formed as part of the construction of the project.

Other constructions already being undertaken are: the Agua del Toro, and Los Reyunos hydro-electric plants in Mendoza; the Río Grande hydro-electric plant in Córdoba; as also the San Nicolás, Sorrento B., Guemes, and Luján de Cuyo thermal plants.

To implement the above as well as other lesser projects, it will be necessary to count on the financial support which it is hoped will be extended by the major International Credit Banks.

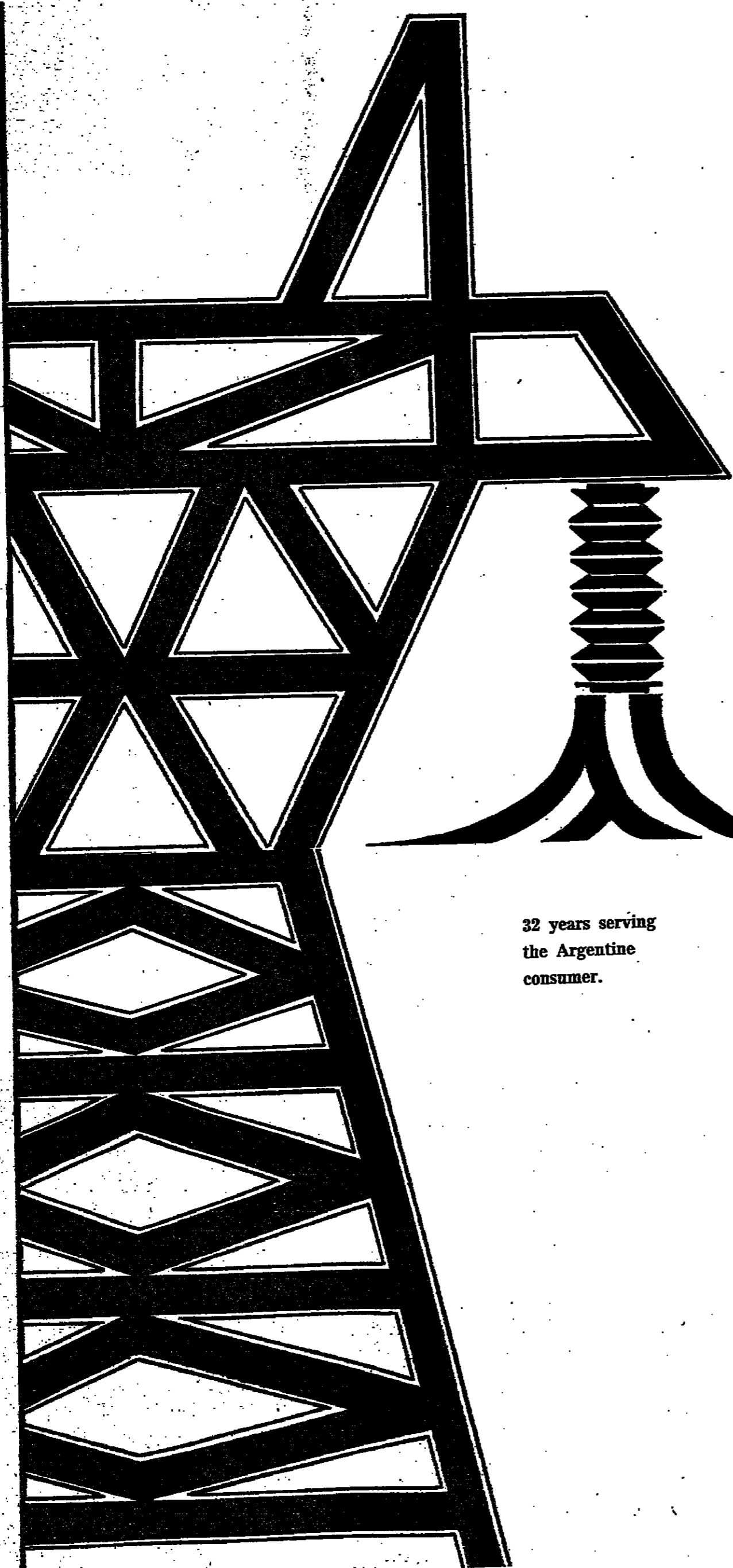
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ARGENTINA IV

# Record grain harvests

ARGENTINA. ABOUT to default in its foreign debt payments when the military took over the Government on March 24, 1976, now has reserves of \$6bn thanks in great part to its agriculture and livestock sectors. Cereal grains, especially wheat and corn, have been the largest hard currency earners.

Dr. Jose Alfredo Martinez de Hoz, well aware of the urgency of the situation when to look over as Economy Minister more than three years ago, saw cereals as the immediate saviour of the economy and was quick to give the producers a series of incentives to increase the area seeded. The most important of these incentives was the lifting of export taxes from all agricultural and livestock products, which meant that the producer received a full 80 per cent of the world market price for his produce.

The response was spectacular. The area seeded to wheat jumped from 5.8m hectares for the 1975-76 harvest to 7.2m hectares for the 1976-77 harvest, an increase of more than 23 per cent. There began a series of record grain harvests which averaged more than 30m tons annually. This has been the reality, even though the increased area seeded to wheat has meant that smaller areas were seeded to other crops, especially corn.

The Argentine farmer has been helped out in these three years by climate and technology. These two elements, in addition to the Government's incentives, have made possible, in 1976-77, the country's biggest wheat harvest in its history, with the exception of that of 1964-65. The 10.5m tons of

wheat harvested in the 1976-77 agricultural year were 33 per cent up on the previous harvest and 58 per cent more than the annual average during the 1971-1975 period. It was that 1976-77 wheat crop that started Argentina's economic comeback. The exportable surplus of 6m tons was worth about \$900m.

It is perhaps surprising that, even though the areas seeded to corn and grain sorghum shrank because of the larger area devoted to wheat, these two crops also were record ones—8.3m tons and 6.6m tons, respectively. Jointly this was a 38 per cent increase over the 1975-1976 harvest of these two crops.

In 1977, Argentina began to suffer the effects of the record grain harvest the previous year in other producer countries. The surplus production brought down the price of wheat on the world market, with the result that the area seeded to wheat in Argentina for the 1977-78 harvest dropped to 4.6m hectares, well below the area of two years earlier. But the areas seeded to corn, and sorghum increased proportionately, so that the total volume of the 1977-78 harvest reached a very respectable 28.5m tons. It was the second largest grain harvest in the country's history, in spite of droughts alternating with excessive rains.

And, notwithstanding declining world prices, the area seeded to grains during this agricultural year again will surpass 20m hectares, and production is expected to better the record of 1976-77. Apparently the 80m ton annual barrier has been broken for good, the goal now being a 40m ton grain harvest. New seeds, new chemicals and more

sophisticated farm machinery are bringing such a figure well within the realms of possibility.

There were 5.2m tons of wheat harvested during the 1978-79 agricultural year, a 10.9 per cent increase over the previous year, but bad weather has reduced the early expectations for the 1979-80 crop from 8m tons to less than 7m tons. If it is 6.8m tons, as the present calculations suggest, this would leave 2.7m tons for export, all of which have already been sold. Argentina needs 3.5m tons of wheat for home consumption annually and another 600,000 tons for seed.

## Brighter

The outlook for corn, however, is much brighter. About 3.6m hectares were seeded to corn for this year's harvest—compared to 2.7m hectares last year—and this area is expected to yield 11m tons, 33.4 per cent more than the 8.7m tons harvested last year. A large area was seeded to corn this year because of the expectation of an improved world market price for corn, added to the massive introduction of hybrid

seeds and new soil-culture techniques.

Last year, mainland China—long an importer of Argentine grain—signed a trade agreement with Argentina, among the provisos of which is the sale of 3m tons of Argentine grain to China by the end of 1981. It is estimated that China will purchase about 890,000 tons of grain from Argentina this year. At the invitation of the National Grain Board, a group of Chinese grain specialists visited Argentina in February and March to talk to the country's leading grain exporters, which include Bunge y Born, Carill and Continental, and to leading Argentine officials, including Economy Minister Martinez de Hoz, who visited China last year. Among the difficulties Argentina has in exporting grain is that many of its main customers for the commodity—namely China and the Soviet Union—are so far distant. This is a comparative disadvantage because the freight costs are so much lower from the United States and other producer countries in the northern hemisphere. For example, in the last week of February, the FOB price of wheat in Buenos

Aires was \$128.75 per ton, compared to \$143.25 in the Gulf of Mexico. This difference of \$14.50 a ton left exporters with only 89.9 per cent of what exporters in the Gulf of Mexico received.

Another problem is that there are insufficient storage facilities for grain in Argentina. But this problem is on the way to being solved, or at least eased. By the end of 1979, there will be another 171,000 tons of storage capacity and by the end of 1980 a further 167,000 tons. The Banco de la Nacion is offering a special line of credit for the purchase and construction of grain silos. The loans will finance 70-80 per cent of the investment and be repaid over a period of eight years, with two years of grace. They complement last year's loan of \$105m by the Inter-American Development Bank for the construction of 24 silos with a capacity of 100,000 tons each. Also scheduled to start this year is the construction of 20 rural grain elevators with a capacity of 100,000 tons each. Investment in this project is about \$300m.

Robert Lindley

# Export problems for farm produce

AGRICULTURE, TO a far greater extent than the manufacturing industry, has been responsible for the sharp rise in Argentina's foreign earnings in the last three years—and fruit can take considerable credit for this.

This year's apple harvest, for example, is now in progress, and it is obvious already that it will be an all-time record one. The estimate of the Secretariat of Livestock and Agriculture places the harvest at about 800,000 tons, which would be ten per cent larger than last year's apple harvest, or 23 per cent larger than the average over the last five years and 57 per cent larger than the average over the last decade.

This year, the Patagonian province of Rio Negro will produce 70 per cent or more of all the apples picked in the country, followed by the Andean provinces of Mendoza and Neuquen, with about 15 per cent and 12 per cent, respectively. Thus, Argentina's apple production is all but totally concentrated in these three contiguous provinces. The contribution of Mendoza Province this year is significant inasmuch as it will be about 70 per cent greater than it was last year. Argentina will have at least

as many apples to export this year as it did in 1978. Both 1978 and 1977 were record apple export years for the country. Last year, Argentina exported 31.5m 21 kg boxes of apples to 14 countries.

But once again, Argentina may have difficulties in distributing its export surplus of apples. To place a box of apples, FOB, at Ingeniero White, a port near Buenos Aires, costs about \$7, without counting the cost of the fruit which goes into the box. The FOB cost in South Africa, Argentina's main world competitor in exporting apples, is \$5.25 FOB—a slightly lighter box but one including the cost of fruit.

## Difficulty

Another difficulty will be that France and Italy had normal apple harvests during the 1978-1979 agricultural year after two years of low yields. Until recently, at any rate, they offers for Argentine Granny Smith apples—the most important variety which goes to the old world from here—from European importers had not risen above \$11.75 the box, and the

maritime freight for refrigerated apples is \$4.30 from Argentina. This would not pay the FOB costs for fruit including boxes placed in the port of Ingeniero White.

Moreover, on March 8 the EEC asked Argentina to reduce its apple exports for this year to 63,200 tons, which is 15 per cent less than the average of Argentina's annual apple exports to the EEC over the last three years. According to the EEC, this average was 74,980 tons.

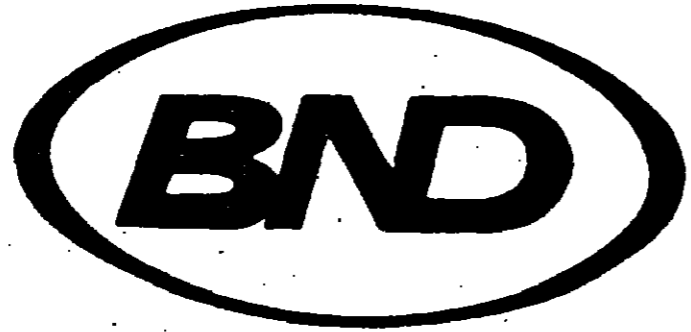
This reduction would mean that Argentina would export about 2m fewer boxes of apples to the EEC countries this year than in 1978. Argentina's Ambassador to the EEC has lodged a formal complaint, terming the request "unacceptable." The Ambassadors of South Africa, Australia, New Zealand and Chile (all countries which also have been asked to limit their apple exports to the EEC this year) did the same.

It is reported that Argentina is hoping to see this "self-limitation" raised to 80,000 tons for the period beginning in April and ending on December 31—although, because of the reversal of the seasons

CONTINUED ON NEXT PAGE

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مكتبة النجف

# Livestock herds still decreasing

THE ARGENTINE livestock industry began a period of decline in 1974 which may not have spent itself yet. The most promising development for the industry locally is the recent slight improvement in beef prices on the world market, after four years of low prices and oversupply resulting from a cycle in which the main exporting countries were ridding themselves of their stocks on hand. For example, in the United States—the biggest market for beef in the world—the cattle population dropped from 132m in 1976 to 116m last year.

This process was so abrupt that the U.S. was obliged to allow increased imports of beef, and this automatically boosted Australian exports. Australia is the principal foreign supplier of unprocessed beef to the U.S. Argentina, because of the endemic foot-and-mouth disease among its cattle herds, is excluded from the lucrative U.S. market for all but processed beef.

As a consequence of the increased demand for imports by the U.S., Australia apparently is now obliged to replenish its depleted herds. And it would seem that New Zealand and Uruguay are doing so also. It is for this reason that Argentina's outlook for its beef exports in the middle term is fairly good: what with the reduced competition, and better prices, resulting from the necessity to retrench in these countries, by building up their herds again, Argentina seems certain to benefit on the world market. U.S. export prices have increased, and so have its import quotas for processed beef and other food products from Argentina.

According to the secretariat of commerce and international economic negotiations, the U.S. has agreed to give preferential treatment to imports of Argentine food products worth about \$27m a year. The bilateral agreement, made at the meeting of GATT (General Agreement on Tariffs and Trade) in Geneva, includes tariff and non-tariff concessions for Argentine exports of canned meat, as well as certain cheeses, leather, articles made of fur, apricot paste and pulp and various manufactured items of animal origin.

And while Australia replenishes its cattle herds, and is only able to sell in markets which offer high prices and an assured import volume—such as the U.S., Canada and Japan—

it may be forced to withdraw from the marginal markets—Africa and the Middle East—which are purchasers of Argentine beef. The new government in Iran has told Argentina that it will keep up its beef imports.

It is in the domestic market that the outlook for the Argentine meat industry continues to have problems. The low prices for the producer which marked the deterioration of the industry have now reached their lowest point in real values, since 1975. As a result, the inclination of the producers is to liquidate their herds of cattle. There has been no livestock census in Argentina since 1977, but estimates, pessimistic ones, are that the cattle herds throughout the country have been depleted by between 4.5m and 5.5m head in the last five years. In the province of Buenos Aires, which normally accounts for 33 per cent of Argentina's total cattle population, the depletion is said by some to have been about 8 per cent.

## Exchange

Taking part of the blame for this decline in prices to the producer is the exchange policy during the more than three years of the Videla regime, a policy—say the Government's critics—of overvaluing the peso and therefore taking away the incentive for exporters by putting a ceiling on the increase in real prices. These critics disagree with the economic team's contention that real wages have been maintained, indeed probably slightly improved, since the 1976 coup d'état. The result of this failure to maintain the level of real wages, they say, has been a reduction in the domestic consumption of beef and meat in general.

Indeed the real price paid to the producer for a steer fell by 42 per cent between 1976 and 1978 and for other types of cattle by an average of 45 per cent. In August, last year, the real prices to the cattle producers started to improve, which, while it has not ended the livestock industry's deterioration, is nevertheless heartening. But it may not have decided the producer to halt his wholesale selling of steers which are not fully grown, because his temptation is not to risk a further decline in prices after he has added a few more kilogrammes to his animals.

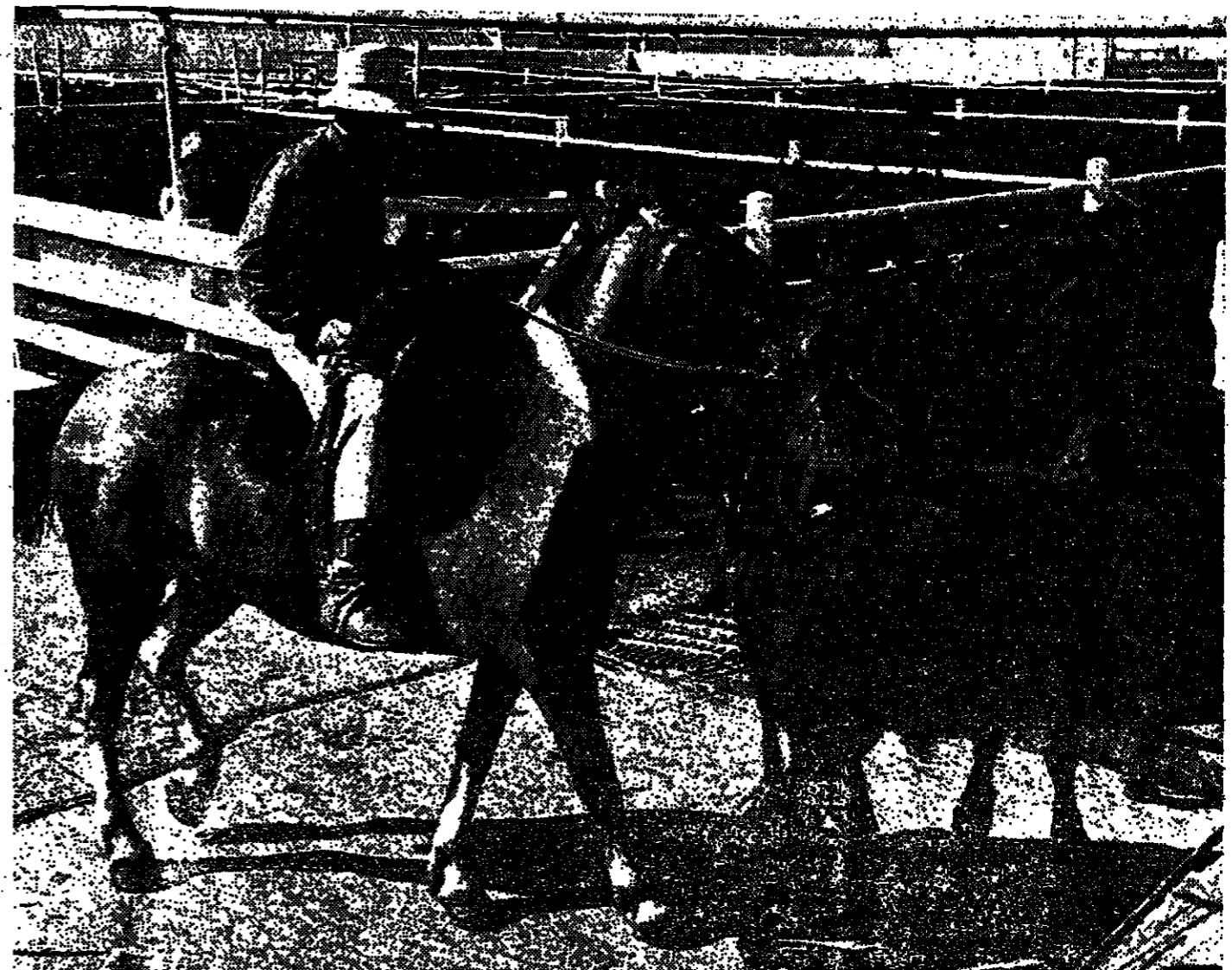
Moreover, and potentially more dangerous for the future of the Argentine livestock industry, is the selling of cows and heifers to the slaughterhouses, thereby liquidating the capital needed to produce beef. The trend is said to make room for more profitable use of the land than by using it as grazing land for cattle. Worse still for the entire livestock sector is the tendency of cattlemen to lend their money out at high interest rates, something which is proving to be altogether easier than using it to cultivate the land.

The Buenos Aires daily Clarin, a frequent critic of the Government's economic policy, points out that "we can hardly expect significant increases in the real price of beef beyond those produced in recent months." Clarin attributes these slight increases to "seasonal factors and the increase in exports during 1978. A reversal of the liquidation cycle would not seem to be in progress."

Nevertheless, there are indications that the future of the

livestock industry might not be as black as Clarin paints it. Alberto de las Carreras, writing in the Buenos Aires business weekly Mercado, doubts that the liquidation of the cattle herds has been too great in recent years and thinks that the 61m head of cattle which, according to the last census in 1977, were in Argentina, have not suffered a depletion of more than 2m.

Sr. De la Carreras writes: "Argentina might be the only great producer nation—excluding the EEC as a group of nations—that will be shown to have overcome the world economic crisis of 1974 onwards without the deterioration of its livestock. Because the decline of the country's cattle population by 2m head cannot obliterate the previous growth." Sr. De la Carreras agrees with Mercado's prediction that, for Argentina's livestock industry, 1979 "will see the beginning of consolidation of the productive structure."



R.L.

Cattle at a meat processing plant in Buenos Aires. The export outlook for meat is healthy

Técnicas Publicitarias S.A.

# Growing up together



## Farm produce

CONTINUED FROM PREVIOUS PAGE

south of the Equator, all of Argentina's apple exports to Europe are made during the first half of the year.

For Argentina to exceed the EEC's suggested self-limitation would expose the country to penalties. In 1976, Chile exceeded the EEC's suggested self-limitation on fruit exports to the EEC countries and was penalised the following year. Brazil, not the EEC, is the biggest buyer of Argentine fruit, normally followed by Holland, West Germany, Sweden, Norway and Finland. Apples make up about 70 per cent of these fruit exports, followed by pears, peaches, grapes and citrus fruit, mostly grapefruit and lemons, in that order.

But this year Brazil reduced its imports of Argentine apples to 600,000 boxes a month for the months February through May. This is about 15 per cent fewer apples than Brazil bought from Argentina last year during those months. There are unconfirmed reports that Brazil may extend this monthly reduction of apple imports from Argentina until the end of the year.

The soyabean is a relatively recent addition to Argentine agriculture but already has become the country's number one oleaginous product. The reasons for this basically are the same as they are in the other principal soyabean-producing countries—the United States, Brazil and mainland China, which account for about 90 per cent of the world's total production: its high quotation on the world market and the fact that hectares for hectare, land seeded to soyabean produces more protein than land devoted to livestock.

According to the latest estimates, about 1.3m hectares of land were seeded to soyabean this year in Argentina, down from the 2.4m hectares in the 1977/78 agricultural year. The U.S. Department of Agriculture estimates that the world production this year will be between 53m and 56m tons, as compared to 50.4m tons in 1977/78, and that world consumption of soyabean this year will be between 55.2m and 55.5m tons, as compared to 49.2m tons last year.

According to the department, world exports will reach a record of 20.1m tons, although

the exports from the U.S.—70.2 per cent of the world total in 1978—will be slightly less than they were last year.

Seed sales indicate that Argentina's sunflower crop this year will reach about 2m tons, compared to 1.6m tons in 1977/78. A recent development in sunflower farming here is the increasing use of hybrid seeds—so much so that next year the sunflower crop may be 50 per cent hybrid. Still, the production of hybrid sunflower seeds in Argentina is not enough to fill the demand.

About 85 per cent of the world production of sunflower is limited to five countries which, in the order of their importance, are the Soviet Union, Argentina, the United States, Romania and Bulgaria. At the beginning of the 1960s, in Argentina, sunflower oil was number one among edible oils. Since soyabean oil has been in first place.

Fish production in Argentina in 1978 was up 30 per cent as against 1977, and last year, exports of fish and related products increased by 81.2 per cent. The fish and shell-fish catch in 1978 was 420,000 tons, of which 190,000 tons was exported—39.6 per cent. The principal markets for Argentine fish during 1978 were Spain (26,800 tons, valued at \$24m), Japan (28,000 tons, worth \$20m), the United States (15,000 tons, worth \$15m) and Italy (14,300 tons, valued at \$9m). Total global fish exports for the year reached \$145m.

It is obvious from these figures that Argentina is increasing its emphasis on developing its fishing industry. From 1970 to 1978, fish and by-product production increased 158 per cent. Participation in this sector by foreign companies—notably Japan, West Germany and Spain—has increased dramatically since the introduction of the new foreign investment law in 1977.

Between March, 1977, and the end of 1978, foreign investments in fishing and fish production have amounted to more than \$27m. According to the Secretariat of Maritime Interests, the country's massive fish resources remain largely untapped, and projections are that the fish catch in 1980 will reach a million tons.

R.L.

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ARGENTINA VI

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بنك الجرايدلايس

ARGENTINA IS one of the few countries which has a National Mining Day. But so far there has been little to celebrate: the industry there is richer in potential than in achievement, a fact recognised by President Videla last year when he acknowledged the official day with a special message.

He said: "We undoubtedly have a great mining future and we shall encourage its development by means of realistic incentives and the adoption of appropriate fiscal and juridical measures."

Although the greater part of the output from the country's existing mines is destined for domestic consumption, the limited scale of the industry was evident in the export statistics for 1978. They showed that Argentinian sales abroad in what was a record year totalled just \$34m.

But the significant point about the exports was that by volume they were double those of 1976 and treble those of 1975. Further, they covered a wide range of products, although significant amounts in money terms were sold only of sodium borate, lead, tin and silver concentrates, zinc ingots and processed borates.

It is unlikely, however, that mining exports will make a substantial impact on the balance of payments without heavy inflows of foreign capital. This has been recognised for a number of years, but the Government has been tardy in creating the necessary legal framework for attracting foreign funds to the industry.

As far back as 1970 the Government was inviting bids from foreign groups for copper prospecting rights and in 1972 the Argentine National Development Bank undertook to provide credits for the promotion of mining and installed mining promotion agencies in the provinces.

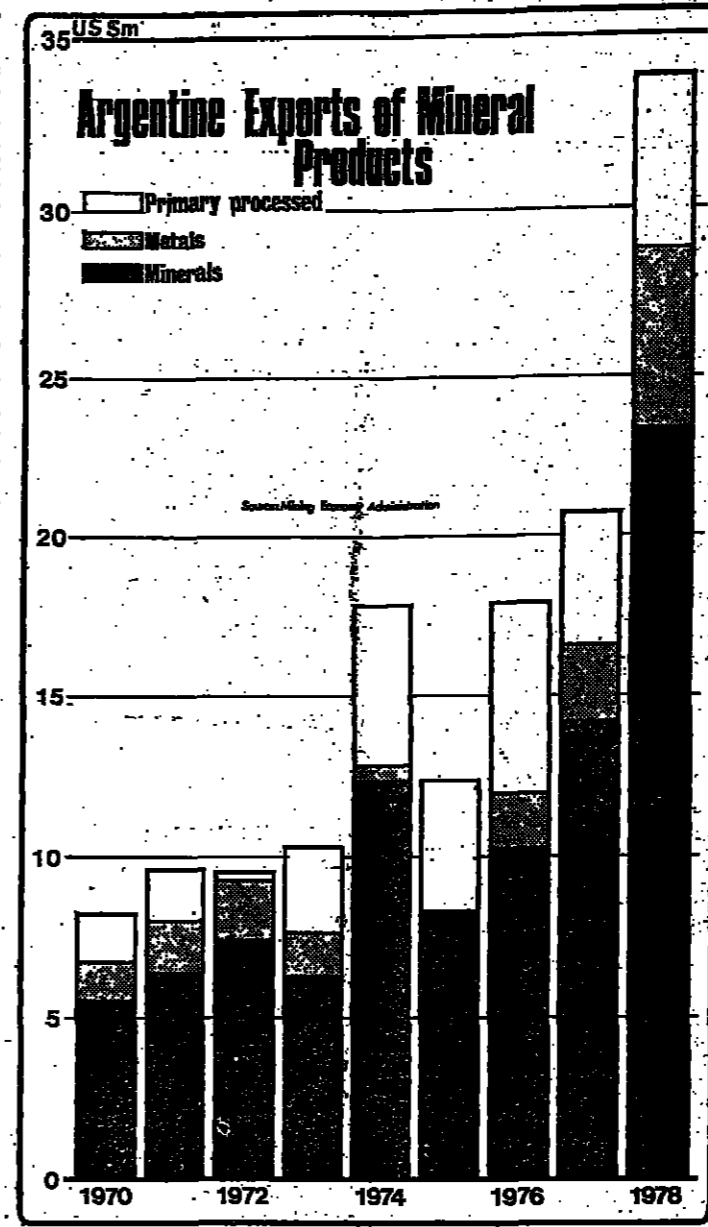
The need for more mining enterprise was becoming acute by the middle of the decade when mineral imports were running at \$1.3bn a year and accounting for no less than a third of the import bill. Last year Dr Fernando Puca Prota, the Mining Secretary, estimated that Argentina needed \$2bn to locate and exploit minerals over the following two years.

The country, on the basis of present geological knowledge, did not lack mineral deposits, but it was short, he said, of capital and managerial capacity, owing to the poor state of our mining industry with only small and medium-sized enterprises. The deficiency must be remedied by means of foreign capital contributions and know-how.

The way the Government was approaching the problem became clear in March 1977 when the Foreign Investment Law was passed. This put domestic and foreign enterprises on the same footing and permitted the remittance of profits and capital without any limitations. But the law does not cover mining specifically and American mining executives doubt whether there will be anything more than lukewarm enthusiasm for investment in Argentina until a Mining Promotion Law is passed.

Such a law has been expected for two years and the latest indication is that it will come into force sometime this year. In a speech to the Italian Chamber of Commerce in Buenos Aires last year, Dr. Puca Prota noted that part of the framework had been officially sanctioned and that the remainder was in an advanced state of preparation.

The main reason for the delay seems to have been divisions within the Government about the technical aspects of the law relating to areas of concern to mining companies, such as



depreciation rates and the writing-up of the values of an ore body. It is only when the specific conditions for exploration and exploitation of minerals are known that mining companies will risk capital.

The lengthy business of exploration, the high cost of development and the knowledge that a major deposit may be mined for a generation or more make the companies demand a carefully-defined framework for their activities.

Lack of a Mining Promotion Law has been one factor behind the sluggish pace of exploration in Argentina. It is thought that the amount spent there has been about one twentieth that spent in Brazil over recent years and certainly much less than the funds made available in Chile.

### Escalation

But it is also true that from 1975 onwards Argentina would in any case have found it difficult to attract foreign capital. The mining industry at that time went into recession as low metal prices across a wide range of products coincided with a sharp escalation of costs. There were cutbacks in investment programmes and, with exploration often financed from

operational earnings, the search for new deposits was reduced. Only in recent months has the international mining investment climate begun to change.

Argentina was not in any sense a priority for foreign companies increasingly worried about political turbulence. Indeed, its own internal political difficulties coupled with a notoriously high rate of inflation acted as a disincentive.

A Mining Promotion Law will not only help to banish this impression but could also trigger off a decision to develop what would be one of the biggest copper projects in South America—the El Pachon venture owned by Minera Aguilar, which is part of the New York-based St. Joe Minerals group.

El Pachon contains ore reserves of up to 900m tonnes and has a copper content averaging 0.6 per cent and a molybdenum content averaging 0.016 per cent. At a projected output of 100,000 tonnes of copper a year, it could not only meet Argentina's domestic needs but also provide about 50,000 tonnes for export.

But it is a \$1bn project and there has been no haste at St. Joe to make any decision on development until the Mining Promotion law becomes statute.

Minera Aguilar is already the largest non-ferrous metal mining concern in Argentina, but the State also plays a significant role in the industry. There is a State mining company, Yacimientos Mineros de Agua de Dionisio (YMAD), while the military is strongly entrenched through Fabricaciones Militares (FM).

FM is investigating porphyry copper reserves at El Mercedes, not far from El Pachon, high in the Andes, and is engaged in a joint venture with YMAD at the Bajo de la Alumbrera deposit in Catamarca province. This deposit has ore reserves of about 500m tonnes, grading 0.5 per cent copper, with quantities of gold and silver.

Catamarca province is clearly an area of great future mining significance for Argentina. Kaiser Engineers Latinconsult last year confirmed the existence of enough copper, gold and molybdenum to supply the domestic market for 25 years.

Argentina also has proven reserves of uranium. At 24,000 tonnes they are sufficient to provide fuel for the developing nuclear power programme and Nuclear Mendoza is engaged in a \$25m programme to develop a deposit at Sierra Pentada in Mendoza province with an expected output of 600 tonnes a year by 1983.

With work also going on to develop iron ore resources, build up phosphate supplies, exploit the beach sands of Patagonia and extract gold and manganese from deposits at Farallon Negro, the base for a vigorous mining industry is being laid.

Yet little is really known about the geology of Argentina. In international terms it has been a neglected mineral province hence the Government's interest in surveys being carried out in Patagonia, La Rioja, San Juan, Misiones and Psoforita. "We can be reasonably optimistic," said Dr. Puca Prota.

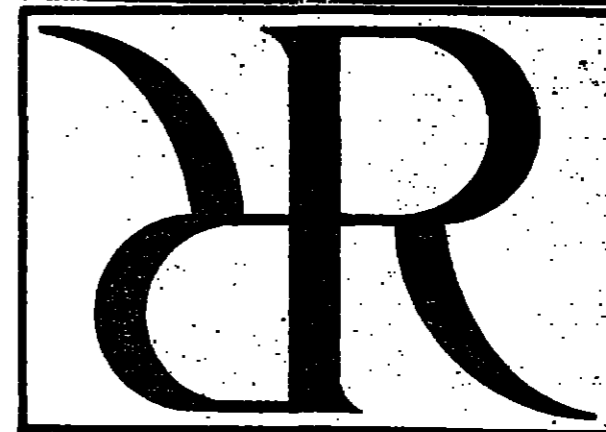
But there has been optimism about Argentine mineral potential for years. This decade there has been a more systematic attempt to find out exactly what the country contains. To be sure there was much work to do. In 1971 it was thought that 74 per cent of the Argentine land mass had minerals of some sort, but of that area about 10 per cent had been subject only to prospecting work. Exploration and development work were taking place in a further 22 per cent of the territory.

As far back as 1971 the Secretariat of Mining was establishing targets for geological and mining work. Much of the surveying that has been done since then has been in the hands of state agencies. For example, FM signed an agreement with the province of Mendoza to survey areas of the province in 1976. The UN has also played a role. Behind the activity was the conviction that with only a few exceptions Argentina has all the mineral resources it needs for industrial development.

Paul Cheesright

### ARGENTINA'S MINERAL EXPORTS BY COUNTRY 1978

Country	Dollars
Brazil	18,462,320
England	6,467,122
United States	1,717,099
Italy	1,370,597
Uruguay	1,190,990
Paraguay	970,758
Japan	815,662
West Germany	635,929
Chile	534,911
Holland	255,843
Belgium	246,341
Hondura	171,146
France	143,745
Spain	130,073
Greece	124,471
India	100,362
Mexico	96,225
Israel	83,051
Bolivia	54,249
Switzerland	42,738
Nigeria	32,500
Venezuela	32,234
Ecuador	25,735
Canada	18,890
Zaire	12,498
Kuwait	4,638
Colombia	4,627
Norway	2,338
Australia	2,000
Austria	1,728
Total	33,749,954



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# GAS DEL ESTADO

## ARGENTINIAN COMPANY FOR THE SUPPLY OF GASEOUS FUELS



It is a fact that the development and expansion of the natural and liquid gas industry in Argentina have been considerable since its beginnings. This progress was most significant in the last decade, and continues to be so in the current one. The future shows similar promise.

In 1946 this State National Gas Board was set up, for 230,000 consumers. Thirty-three years later the number of consumers was more than three million, and a quarter of all energy consumed in the country was given up to the national market.

In 1970, gas had an 18.2% share in the domestic market. Currently this figure is 25%.

Forecasts for gas consumption and sales, linked with the forecasts for fluid reserves in existing or undeveloped deposits, as well as the development of a suitable substructure, which is necessary to serve this demand, enable us to expect that the growth rate will be 30% in 1985. In 1978 GAS DEL ESTADO sold nearly 8 thousand million cubic metres of gas to more than 2 million consumers, and about 900 million kilograms of liquid gas, in order to satisfy a demand which represented more than a million gas cylinder consumers and fractionators dealing with gas in canisters.

GAS DEL ESTADO now serves 3,235,000 homes. If we add some canister-users to these basic consumers, and if we take a typical family of four persons as a standard, we can assert that 87% of the Argentinian population are gas consumers.

Ten sedimentary deposits have been located in Argentina, some of which are being developed and others are in the exploration stages. These enable us to reckon on the existence of 336 thousand million cubic metres of natural gas, with considerable scope for a significantly larger figure.

Making use of this energy will require large plants to be built, and much technological progress to be made. A solid administrative and supervisory

machine is also necessary. GAS DEL ESTADO can provide all this. The company's potential can be measured by its 15,300 km of gas pipelines and its 17,500 km domestic distribution network, which reach towards all four corners of the country, plus 23 compressor plants, which add up to a total of 300 thousand horse power and are capable of piping 30 million cubic metres of gas per day.

Of course there are also those who produce, package and store liquid gas, obtaining, fractionating and supplying the 900 million kg per annum. 185 storage plants enable 337 thousand m<sup>3</sup> of liquid gas to be stored under various conditions (pressurised or cooled).

The distribution of liquid gas in cylinders is done from 53 centres. In respect of transporting bulk fluid, it should be pointed out that conventional methods are used.

150 km of propane lines, almost all in the province of Buenos Aires, complete the picture of the company's transportation potential.

The national consumption of natural gas is exclusively served by GAS DEL ESTADO. In terms of liquid gas, it should be stated that whilst this company supplies propane, marketing it in 45 kg cylinders and in bulk on a smaller scale, butane is the province of the private sector, which fractionates it and sells it in the well-known canisters, sold to the trade sector, and also in bulk.

A special propane-air mixture is injected into the gas mains for the city of Mendoza. On the other hand, another five towns which are some distance from the gas lines, have a domestic supply of undiluted propane. It should be mentioned that the annual total figure for propane injected into the mains is 65 million m<sup>3</sup>.

### SAN SEBASTIAN-EL CONDOR, THE MOST SOUTHERLY GAS LINE IN THE WORLD

The General Don José de San Martín gas line consists of three gas lines in a

line, and is the result of successive extensions of the same line towards the southern parts of the country, in order to make use of gas from the Del Golfo de San Jorge and De Magallanes deposits. Its total length is 2,800 km, and it has seven compressor plants. The sections referred to are: Buenos Aires-Pico Truncado, Pico Truncado-El Condor, and El Condor-San Sebastián.

### SAN SEBASTIAN-EL CONDOR (Work started in December 1978)

This pipeline, which is the result of the most sophisticated technology, collects gas from the Isla Grande deposits in the Tierra del Fuego. In the Argentinian section (part of the Isla Grande belongs to Chile) this island is capable of yielding 52 thousand million cubic metres of natural gas.

The construction is in three parts. The first section takes gas from the production area to the extreme north of the Argentinian part of the island, the Cabo del Espíritu Santo. This consists of 99 km of 30" diameter pipework.

The second section goes under the Mar Argentino sea, towards the east of the Magellan Straits, and traces a 37 km arc from the Cabo del Espíritu Santo coast to the Cabo Virgenes beach (on the mainland, province of Santa Cruz). The pipeline is 78 metres below water in some parts and has a diameter of 24".

The third section starts from the neighbourhood of Cabo Virgenes and stretches as an on-shore pipeline 39 km long and 30" in diameter, to the El Condor compressor plant at the head of the El Condor-Pico Truncado gas line.

### 1. ESPIRITU SANTO-VIRGENES OFF-SHORE SECTION

The eastern mouth of the Magellan Straits is one of the most treacherous regions in the world. With the aid of the Argentine Navy Hydrographical Department, a survey was carried out on the environment and geological make-up of the sea bed, a topographic profile of it was obtained, charts were made of the swell and currents in the Magellan Straits, and further knowledge was collected on the weather conditions in the area where the pipework intersection would have to be made.

The above-mentioned surveys enabled a gas line to be designed which is capable of coping with the worst storm which might occur in the region, according to a statistical calculation taking a hundred years into account in this respect.

The engineering studies on the intersection, the selection of the route and the design of the pipes were provided by GAS DEL ESTADO and the consultant company R. J. BROWN & Associates, a Swiss company which was in charge of the invitation to tender and supervision of the works. The project was assigned to the French company ETMP (ENTREPOSE GTM POUR LES TRAVAUX PETROLIERS MARITIMES) and the Argentine company ECOFISA.

### 2. THE SIZE OF THE PROJECT

The volume of gas delivered daily to Argentinian consumers from the Tierra del Fuego will be three and six million cubic metres successively. The first of these figures will expand the daily volume of gas piped by the gas lines by almost 20%. This increase is equivalent to 1.8 million cubic metres of petroleum, a volume which can be deducted from imports and will mean a saving of more than 80 dollars per cubic metre (140 million dollars per annum). It should be pointed out that by means of the off-shore pipeline the delivery of energy from the Isla Grande can go to the extractor plant for ethane, propane, butane and higher hydrocarbons, which is being constructed in the Buenos Aires region at General Cerri.

### 3. PROJECT FINANCE

The total estimate for the SAN SEBASTIAN-EL CONDOR construction and some of the facilities necessary for improving the southern gas line system, is 191,800,000 dollars.

The construction was possible thanks to an Inter-American Development Bank loan of 87 million dollars, which sum was apportioned to the off-shore intersection. The on-shore sections were sponsored by GAS DEL ESTADO's own funds.

The total financial backing cost the country an investment of foreign currency which amounted to less than the sum required for importing petroleum, which is being replaced by gas from the Tierra del Fuego.

### 4. EXTENSION OF THE SOUTHERN GAS LINE (GENERAL D. JOSE DE SAN MARTIN)

For the purpose of obtaining an increased transporting capacity capable of taking Tierra del Fuego gas, the SAN JULIAN compressor plant was installed in 1977, near the Santa Cruz area of the same name. This plant meant a 2.3 million m<sup>3</sup>/day increase in the volume of gas piped, up to 9.3 million m<sup>3</sup>/day. In 1978 11.3 million m<sup>3</sup>/day were piped owing to the installation of 320 kilometres of pipework parallel to the gas line. This concerns two loops with diameters of 762 and 609.4 mm respectively. However, taking into account the constantly increasing demand, another extension is in the planning stages, with a target of 13.5 million m<sup>3</sup>/day. This will consist of building four compressor plants, which must be operating by 1980. Furthermore it should be recorded that amongst the constructions envisaged is an expansion of the Pico Truncado and General Cerri plant capacities.

### 5. EXPANSION OF GAS PIPING CAPACITY IN SAN SEBASTIAN-EL CONDOR

Plans are being made for the installation in Tierra del Fuego of the facilities necessary for delivery to the gas line of gas from the CANADON ALFA and CANADON PIEDRAS deposits. The production schedule for these deposits allows for a daily production of 1.5 million cubic metres.

### EXPANSION OF GAS PIPING CAPACITY IN THE CAMPO DURAN-BUENOS AIRES GAS LINE

Since 1960 the reserves from the CAMPO DURAN, MADREJONES, and, since 1970, CAIMANCITO, deposits, have been used. These all relate to the northern basin, and are served by a gas line 1744 kilometres long and 610 mm in diameter.

The CAMPO DURAN-BUENOS AIRES pipeline has a capacity of 7.3 million cubic metres of natural gas. This figure consists of the basin's own resources plus the gas which the Republic of Bolivia has been selling to Argentina since 1972, which arrives via the SANTA CRUZ-DE LA SIERRA-YACUIBA pipeline near the border. Its first section is reinforced by a parallel pipeline 75 km long.

The system operates at working pressures which fluctuate between 75.5 and 60.7 kg/cm<sup>2</sup>, and has four motorised compressor plants (46,800 h.p.).

The start-up of the CAMPO DURAN-BUENOS AIRES pipeline meant that gas began to be used in the industrial sector in Argentina, and at the same time marked the end of the service being a major city privilege.

As of this year, the purchase volume of Bolivian gas will increase by two million cubic metres per day, therefore a piping capacity which the gas line currently does not have, will be required.

The recent discovery of large gas reserves in the RAMOS deposit, in the region of Salta, means that even more fuel will be produced. This is programmed for a daily delivery of up to 1.5 million m<sup>3</sup>/day.

The RAMOS gas will enter the CAMPO DURAN-BUENOS AIRES line through a pipeline 47 km long and 305 mm in diameter, in the neighbourhood of CORNEJO (Salta region).

The production may amount to 12.5 million m<sup>3</sup>/day, depending on the figures which the Y.P.F. can foresee for the deposit once the surveys are completed and the reserves reliably estimated.

It is planned to improve the pipeline by extending the already existing loop from Coronel CORNEJO to CAIMANCITO and installing 138 km of pipework with a diameter of 610 mm. In order to reinforce the section between CAIMANCITO and TUCUMAN, a YPF polyduct will be hired by GAS DEL ESTADO. The expansion will be completed by a 40 km, Ø 610 mm pipeline and the installation of a compressor plant at EL RECREO (Catamarca region). The construction work on the pipeline will be completed in 1979 whilst the EL RECREO plant will be ready in 1980.

### GENERAL CERRI COMPLEX

This is situated to the south of the province of Buenos Aires. Currently two cooled absorption plants, one gas compressor plant, plant maintenance shops and one of the largest operational and maintenance bases in the main Argentinian gas line system are in operation there.

At the moment an extraction plant for ethane, propane, butane and higher hydrocarbons from natural gas is being constructed near the above-mentioned facilities. This is the largest plant of its type built in South America.

The plant is to cover an area of 40,000 m<sup>2</sup>. It has been designed to optimise the extraction of natural gas hydrocarbons, using current methods, and aiming for 76% ethane recovery. The selection of the process was made on the basis of a study comparing the system with the Cascade Cooling and Cooled Oil Absorption processes. The cryogenic turbo-expansion will bring a saving of about 164,000 m<sup>3</sup>/day and 199,000 m<sup>3</sup>/day of combustible gas compared with the above-mentioned processes.

The GENERAL CERRI complex will start production in the first half of 1980, and at its highest performance stage will process a maximum volume of 18 million m<sup>3</sup>/day. This performance rate will mean the production of 300,000 tonnes per year of petrochemical grade ethane, and about 350,000 tonnes per year of commercial propane and butane. In order to supply the fuel required by the process, the input gas line piping structure will be designed to make use of the new gas reserves found in the Cuenca Neuquina and the production from the El Condor (Santa Cruz region) and Tierra del Fuego (Cuenca Austral region) deposits.

It should be stressed that the General Cerri complex will be the nucleus of the Bahía Blanca Petrochemicals Centre currently being constructed. Petrochemical ethane will be the main product of this development centre, which will shortly become the axis of Bahía Blanca industry and the take-off point of Argentinian industrial potential.

### CENTRAL-WESTERN GAS LINE

The natural gas reserves found in the Cuenca Neuquina have been estimated at more than 200 thousand million cubic metres. This volume will enable a pipeline to be constructed which is intended to satisfy the demand for natural gas in the Cuya region, which lacks gas resources.

This region does not so far have liquid fuel in sufficient quantities to supply its current needs or cope with its future industrial development. In the cities of Mendoza and San Juan alone about 25 thousand tonnes of liquid gas per annum are to be replaced, the import value of which is in excess of three million dollars.

In the first three years of operation, the Central-West gas line will replace a total of six million cubic metres of petroleum, thus avoiding a foreign currency outlay in the order of 500 million dollars.

The construction will make a supply of natural gas possible to the south of La Mesopotamia (Entre Rios province) with scope for later extension to the rest of this region.

The main gas line to be constructed will have a length of 1,100 km, and a diameter of 762 mm, with 600 km of smaller diameter branches. It will be provided with the compressor plants necessary to pipe ten million cubic metres per day.

The quantities programmed for transport are: 5,000,000 m<sup>3</sup>/day initially, 7,000,000 m<sup>3</sup>/day after one year, and 10,000,000 m<sup>3</sup>/day after two years.

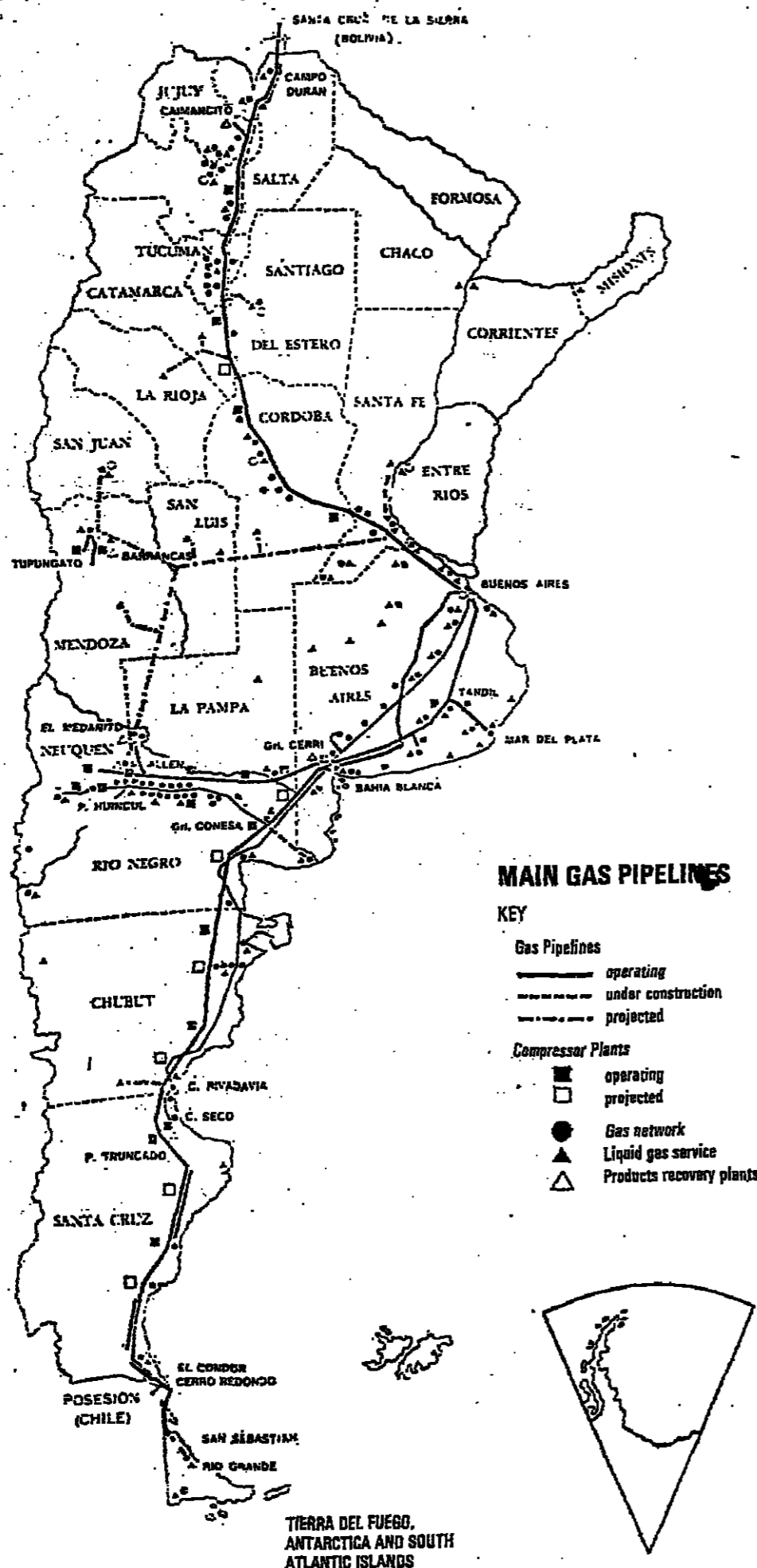
GAS DEL ESTADO will implement this project by means of an international invitation to tender for a contract of work and services necessary for piping natural gas from the Neuquina deposit to the delivery centres at MENDOZA, SAN JUAN, SAN LUIS etc.

This invitation to tender was issued in November 1978. The date set for opening tenders is June 22nd 1979.

As a form of payment to the company which is awarded the contract, the invitation to tender provides for a type of "toll" based on the rate of gas piped through the gas line system and auxiliary facilities. The Contractor will be entitled to receive this for a period of fifteen years, up to the termination of the contract.

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## ARGENTINA VIII

# Industrial policy put into action

THE MANUFACTURING industry is the sector which has suffered most from the impact of the new economic policy. In 1978, Argentina's manufacturing industry underwent a 6.8 per cent drop in production.

This decrease was seen throughout the industry with the exception of the paper sector and the non-metallic minerals industry. The lowest point was reached during the first quarter of last year, when factories decreased production because of falling demand and the increase in interest rates, which left the factories with little incentive for keeping sizeable stocks on hand.

In the second quarter of the year, many plants were working only to produce ordered goods, with the result that many workers were idle. The situation improved moderately during the third quarter of 1978, when sales increased slightly.

In a year-end report on the economy, the Buenos Aires business weekly, Mercado, puts much of the blame for the troubles of the manufacturing industry on the Government's failure to evolve a well-defined industrial policy.

But this year, the Government has at last taken major steps aimed at righting the situation. In February, for example, a new "reconversion" law for the automobile industry—designed to reduce the cost of manufacturing cars—came into effect.

The law's chief features are the permission it gives to manufacturers regarding imports and to form agreements with other countries and overseas firms, for the purpose of exchanging parts in import-export operations.

Previously, car makers were prohibited from importing parts which are supplied by local parts makers. Moreover, they were restricted in the manufacturing of these parts and were unable to update car models. The car companies are now allowed, over the next four years, to use successively higher percentages of imported parts in their cars. This year that figure is 4 per cent, next year 8 per cent, and in 1981 and 1982, 10 and 12 per cent respectively.

Tariffs on imported parts, which are fixed independently of the law, are — for parts not made locally — 45 per cent maximum and 10 per cent minimum.

By 1984, the maximum tax is scheduled to be reduced to 30 per cent, while the minimum will remain unchanged.

The most hotly discussed part of new reconversion law (the aim of which is to restructure completely the Argentine automobile industry by opening it up to foreign competition and by reducing Government regulation) is that which permits completed vehicles to be imported again. Local makers are worried about the possibility that the market could be inundated by cheaper Japanese and Brazilian-made cars. A spokesman for Ford's Argentine subsidiary has said: "We are very concerned."

The Government, however, maintains that some outside competition will benefit the industry and help contribute to lower prices. Economy Minister José Alfredo Martínez de Hoz has declared, referring to the Argentine manufacturing industry in general: "We have no intention of destroying our local industries by the wholesale and immediate lowering of all barriers. The device of lowering tariffs while still allowing a measure of protection, as industry adapts to the new situation, is a delicate and finely tuned operation involving close co-operation between the Government and industry."

Unemployment has now dropped to an inconsequential 1.8 per cent.

Surcharge To prevent the car industry from being swamped by foreign-made vehicles, a minimum CIF price has been established. For cars, this price is \$3.50 per cylinder cubic centimetre, plus a minimum freight charge of 15 per cent. For heavy trucks, the minimum CIF price is \$6 per kilogramme, plus the 15 per cent minimum freight charge. There also is a surcharge on imported vehicles, which for cars will slide from 95 per cent

this year to 65 per cent in 1982; and for heavy trucks, from 65 per cent this year to 45 per cent in 1983.

The importance for the reconversion law for the automobile industry is that the industry operates in a growth market. Last year, the Argentine car industry produced 180,000 vehicles, although it experienced a recession in sales. Even so, Argentina has a very high ratio of inhabitants to cars — seven-to-one.

But there is doubt—indeed, disbelief—that the permission to import complete cars in Argentina will reduce the price of the locally-made vehicles. By now it seems obvious that the effects of the new reconversion law, in its entirety, will not be seen immediately by the Argentine car buyer.

According to the Ford subsidiary spokesman: "It will take us a couple of years to 'tool up to the law.'" Car dealers are among the most outspoken critics of the new regulations. One of these, Francisco Villar, writing in the Buenos Aires daily, Clarín, does not think that the Government's attempt at lowering prices of locally-manufactured goods by allowing in imports will be successful with any merchandise, not with just cars alone.

"I base this opinion," Sr. Villar writes, "on my observation of all the imported products which I see being marketed: toilet articles, textiles, electronic apparatus, foodstuffs, and so on. They have not brought down the cost of national production, nor the prices to the consumer."

Sr. Villar continues: "The costs structure in our country is influenced by its over-all inefficiency. The State, as a supplier of services and raw materials, contributes to this inefficiency. It is a structure which will not allow itself to be changed by imports."

"Imported articles absorb that layer of the market which is the tip of the pyramid of the population; the level with the most purchasing power which, however, represents a very reduced sales volume. . . . This leads me to think that we will see a quantity of imported cars on Avenida Alvear, in La Lucila

(both chic areas of Greater Buenos Aires), in the commercial centre of our capital — but I don't think we will see many imported cars in our villages, on our ranches or in use by medium-sized businesses."

The Government (that is, the three-year-old Videla regime) has, however, taken important measures to reduce its own inefficiency as a supplier of services and raw materials to manufacturing industry. In March, 1978, 15 companies were being subsidised by the State; today only two—the Argentine State Railways and the postal services — receive funds from the treasury.

Yacimientos Petrolíferos Fiscales, the State oilfields combine, has cut its work force from 50,000 to 40,000 — and was able to boost annual production of crude by 20 per cent in 1977. In the first 11 months of 1978 the combine produced a record 24m cubic metres of petroleum as against 22.8m cubic metres during the whole of 1977.

In the past three years, the 15 major publicly-owned service companies have reduced the numbers of their employees by 12 per cent but have increased production by 18 per cent which represents a 36 per cent improvement in productivity for each employee.

Another step taken to stimulate manufacturing and industrial development is a law which allows temporary importation (free of duties) of materials, components, process aids or goods to improve cost efficiency, productivity and quality of domestically-produced items. Thus, value is added to the imported material without incurring duties, as long as the final assembled product is exported eventually.

Industrial production and activity actually began to recover during the last half of 1978. In January, this year, usage of electricity by industrial concerns increased 18.8 per cent over the same month last year and is now 14.2 per cent above the figure of January, 1977.

R.L.

# Banks' fortunes soar

FOR THE international banking community, Argentina has proved to be one of the textbook financial transformations of post-war economic history.

While countries like Zaire and Turkey struggle with their seemingly insoluble problems, the recovery of Argentina from a state of near bankruptcy in 1976 is frequently instanced by bankers as what can be achieved in a relatively rapid timescale when determined economic and fiscal policies are pursued.

In March, 1976, Argentina was torn by guerrilla warfare. Government economic ministers changed in rapid succession, corruption was reportedly widespread, hyper-inflation rampant, and foreign exchange reserves had dwindled to under a token \$20m.

The seizure of power by the military regime of General Jorge Videla ushered in a period which in the last three years has seen exchange reserves soar to a record total of more than \$6bn and a return to a balance of payments surplus — to the tune of \$2.1bn last year.

For the Western banks, the culmination of this recovery was marked by the Government's decision to retire well ahead of time the \$1bn of restructured commercial bank loans contracted after the 1976 coup d'état. The loans were completely repaid, to a consortium of U.S., Canadian, European and

Foreign bankers applaud the strict queuing system for foreign borrowings. Since 1978, the country's central bank has imposed a very tight control over who can borrow, not only as regards large Eurocurrency loans but also smaller, transactions of \$5m or less.

This system was also extended to cover private sector entities after the central bank became concerned at the amount of dollars flowing into the country in early 1978.

The first controls imposed lasted until the end of September, 1978. Private sector companies borrowing abroad had to deposit 20 per cent of the amount of the loan at the central bank in peso equivalent. From the beginning of last October the requirement was reduced to 5 per cent, but the funds were still frozen at the central bank and bore no interest.

Government official Dr. Francisco Soldati, who directly controls Argentina's foreign borrowing efforts, regards the queuing system as highly effective.

In a recent interview, he declared, "In almost every case the central bank has been successful in getting better rates for each loan. The queuing system has meant that we have never had more than one borrower in the market at the same time, carrying the Argentine Treasury guarantee."

At the same time, it is clear that Argentina plans to be a regular and extensive borrower on the international capital markets in the future. Information recently made available within the Argentine Embassy in Washington, based on a rough draft of the country's 1979/81 investment programme, shows that it will be looking for some \$2,586bn in overseas funds in this period.

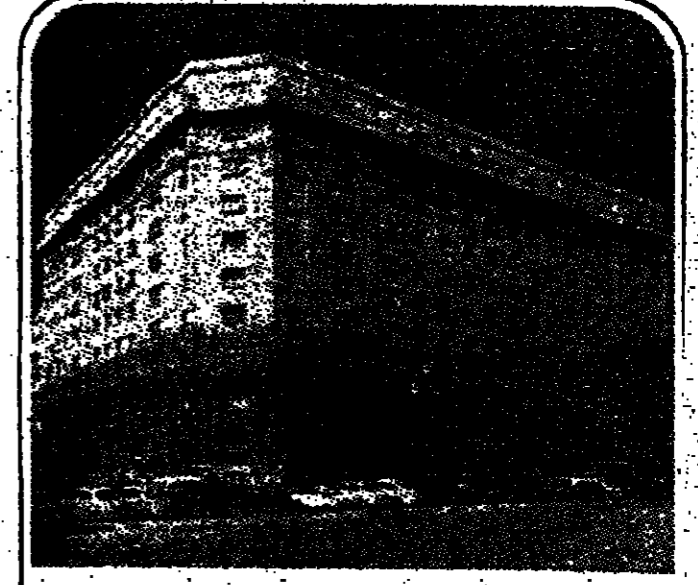
In support of the programme, Argentina plans to place various orders overseas for plant, equipment, etc, worth \$4bn. Domestic funds totalling the equivalent of some \$10bn will be invested in the programme.

resources, centred on the target of becoming self-sufficient in oil output by 1985.

Other sectors, in terms of specified amounts of overseas finance, are:

- Electric transmission \$234m;
- Telecommunications \$231m;
- Hydroelectric plant at Alicura \$197m;
- Other hydroelectric \$141m
- Roads \$90m
- Gas pipeline via San Martín \$102m;
- Replacement of railwa coaches \$49m;
- Aqueducts \$35m;
- Grain storage \$31m

John Evan



## ARGENTINE INSURANCE WITH INTERNATIONAL SOLVENCY

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مكتبة الشرق



ARGENTINA IX

هكذا من العجول

Trade with the UK

THE WINDOWS along Calle Florida, the smartest shopping street in Buenos Aires, are plastered with posters proclaiming the arrival of some new imported merchandise or other, such as Argentinians have not seen for decades.

The military junta's policies of import liberalisation and the maintenance of a substantially overvalued peso has created a thirst for foreign goods which scores of Argentine businessmen turned import agents are rushing to satisfy.

Despite a disappointing year in 1978 British exports to Argentina have been healthy enough, going from \$67.7m in 1975 to \$63.3m in 1976, jumping to \$130m in 1977, then falling back to \$113m last year.

Last year, however, saw years of negotiation about the sale of a fleet of destroyers to the Argentine navy shorted by the decision of the junta to purchase an untried West German design from Blohm und Voss.

Though the decision was a blow to the British negotiators, officials emphasise that there are plenty of big new long-term projects in which British exporters can benefit while exporters at the consumer end of the market consolidate their place in the retail stores.

A recent issue of Trade and Industry, the weekly of the departments of industry, trade prices and consumer protection, listed the big public sector investment programme, with projects ranging from the Yacretá hydroelectric scheme on the River Paraná down to the provision of a third aerial for satellite communication.

The fact that British consultants, including British Rail's Transmark, have secured im-

portant contracts recently in the transport sector is seen as a good sign for future business. In the still sluggish private sector British manufacturers recently won a \$10m order for biscuit-making equipment, and when the Argentina farm sector and food processing industry finally decides it is time to modernise there should be further opportunities for British exporters.

The renewed interest of British sellers is reflected in the fact that the trade missions to Buenos Aires are much more numerous than last year, ranging from the Publishers Association and the Federation of Sussex Industries to the Ship and Boat Builders National Federation.

The British share of the Argentine market is still only a fraction of what it was at the beginning of the century, a bare 4.3 per cent in 1977, compared to the 18.8 per cent of the U.S. and the 10.8 per cent of West Germany.

Argentina's sales to this country have for their part grown more smoothly and consistently than British sales in the other direction. In the four years 1975-78 the figures were \$53.4m, \$90m, \$120m and \$153m.

Limited

In every year meat and meat products headed the list. British interest in Argentine beef and veal is still limited by doubts about the health of Argentine stock, by fear of the import of Argentine meat will set off a new wave of foot and mouth disease, such as ravaged British herds a decade ago, and by the operation of the European Community's Common Agricultural Policy.

Nevertheless, sales of Argentine corned beef have been growing strongly, from about 15,000 tons in 1973 to 30,000 tons last year.

Argentina last year sold textile fibres worth \$21.7m and a good Argentine harvest meant that oil seed and cattle feed sales rose from \$207,000 in 1977 to nearly \$23m last year.

Despite the Common Agricultural Policy there is every indication that Argentina will continue to do a steady trade in the traditional farm products with Britain whatever the vagaries of climate and currency. The present Argentine policy of keeping the peso very appreciably overvalued has,

however, put in doubt the future of some non-traditional lines which had recently been growing in acceptance in Britain. This month one leading British importer of Argentine wines, for instance, visited Buenos Aires and announced that the rocketing price of the wines was making them totally uncompetitive in the British market and that the work which had been done in the past few years to introduce them was in serious danger of being wasted.

Under the present economic policies the parity of the peso is fixed until the end of the year, and there are few indications that the overvaluation will do anything but get worse. The winegrowers may therefore have to say goodbye to the British market for some time to come, and they may not be the only sufferers.

But, as has been stated elsewhere in this Survey, there is a big question-mark over the

continuance of the present policies and, as in fields other than trade, the long-term aims of Argentine rules are not always put into practice.

Just as it is entirely possible that the freedom to import may be cut back, so a new political twist in the country could once again establish a close purchasing power of the peso and the value it has across the bank counters.

In 1979, as always in the past, trading with Argentina demands patient application, great flexibility. One has to be able to judge the moment when to jump on the galloping horse and have the same acute sense of timing needed to jump off it safely. During the last century the British were adept at that. More recently they seem to have lost some of the knack. There is no obvious reason why they should not regain it.

H.O.S.



The main hall of the Buenos Aires stock exchange

Better financial control

IN THE last three years the economic team of Minister José Alfredo Martínez de Hoz has attempted to liberalise all the components of Argentina's productive apparatus. Perhaps the sector in which the most progress has been made towards liberalisation has been the financial one.

However, the new system was not put into effect until the second half of 1977, and there were difficult moments last year when it seemed doubtful that the Central Bank officials could find the measures needed to bring the situation under control. In the last four months of 1978, however, the authorities achieved total control of the monetary expansion mechanism, for the first time in 30 years.

Indiscriminate monetary expansion had been one of the main causes of the increasingly high inflation. One of the difficult periods last year was the heavy influx of foreign money, which was converted into strong currencies in pesos on the local market. Both the industrial and livestock-agriculture sectors protested about the high interest they had to pay. At

one moment this rose to 11 points on 30-day loans. During the first six months of last year, it is estimated that nearly \$3bn entered the financial market. To face up to this alarming situation, the Central Bank ruled that private sector companies borrowing from abroad must deposit 20 per cent of the loan at the Central Bank in the peso equivalent.

These obligatory deposits, which have since been reduced, produced no interest. The deposit requirement will be reduced further as the cost of funding from abroad and locally becomes more equalised.

It was in August last year that the Central Bank authorities began to get a firm grasp on the growth of the monetary base. And the climate at the beginning of 1979 was one of optimism. There was a \$2,000m balance-of-payment surplus, evidence that considerable progress had been made in the foreign sector, continuing the trend of 1977 and 1978. Because of the favourable foreign trade, the movement of capital was practically neutralised during 1978.

Exports increased to nearly \$5.3bn, mostly because of the

sales abroad of corn, sorghum and oleaginous crops, principally soybeans. The world market prices for these commodities were generally good. Exports of fine grains, especially wheat, were not as high as the year before, simply because there were exportable surpluses. But as the exportable surplus of Argentine beef exports increased by 20 per cent over those of 1977, EEC restrictions on imports were in some measure offset by Argentina's success in finding new markets, especially in the Middle East and Africa.

Moreover, Argentina concluded important operations with Greece and Brazil. Wool exports also did well and at good prices. These and other factors permitted Economy Minister Martínez de Hoz, at the end of 1978, to pre-set—through the Central Bank—the exchange rate for the peso from January this year to August, as a means of reducing inflation. Maximum increases for public utility rates have also been pre-set, and industry is now working within known parameters. There are no price or exchange controls

in Argentina, but industry is being asked to keep price increases within these limits. Says Dr. Martínez de Hoz: "If domestic prices in a sector have risen above the guidelines, while capacity still exists in that industry, we have lowered tariff barriers to increase supply. Then demand determines the price."

Dr. Martínez de Hoz's first move to revolutionise the banking system was the Financial Entities Law of February, 1977. This law, designed to channel financial resources away from speculative sources into productive ones, allowed banks to receive deposits from third parties on their own account. In an attempt to bring "black" money back into the banking system, Dr. Martínez de Hoz eliminated the parallel foreign exchange market.

But most important in his drive to revolutionise the banking system was his freeing of interest rates, which for years had been fixed by the Central Bank. That system permitted enormous speculative profits to be made. Now, with set interest rates, banks have to compete for deposits. "For the first

time in 30 years," says the London magazine *EuroMoney*, "the depositor has a choice."

Still, Christian Zimmermann, vice-president of the Argentine Central Bank, says that, "technologically, I think Argentina is 20 years behind other financial centres of the world. We have to run very fast to recover the time we lost in the recent past. . . . Our system is inefficient, because some banks do not believe in competition. What I want in Argentina are capable and serious banks."

Ricardo Zinn, director of the Banco de Italia y Río de la Plata, agrees: "There still needs to be more competition. There are now 115 commercial banks in Argentina, as well as two development banks, four investment banks, one mortgage bank, one savings bank, about 349 co-operatives. Since Dr. Martínez de Hoz became Economy Minister more than three years ago, the Argentine banking system—notwithstanding its continuing "inefficiency"—has become more dynamic. Proof is that real liquidity has increased three times since 1976.

The Central Bank, as it has been transformed by its president, Alberto Dix, under Dr. Martínez de Hoz, has received high praise from John Lawrence of Lloyds Bank International. "The Central Bank is very strict and clinical. If you make a mistake, that's too bad. I respect the professionalism of the authorities."

It was Dr. Dix who introduced what has become the key to the new Argentine banking system, in June, 1977. It is the *cuenta de regulación bancaria*, which obliged banks to deposit 45 per cent of their deposits in the Central Bank. This *efectivo mínimo* made it impossible for banks to lend more than 55 per cent of their deposits. In implementing the measure, Dr. Dix tried to accomplish two things: to engender more competition—something which Dr. Zimmermann and Dr. Zinn think is still lacking—and to control the growth of credit. As the inflation declines, the *efectivo mínimo* declines also, inasmuch as it is a temporary measure designed to control inflation.

R.L.

**Y.P.F. ACTIVATES THE EXPLORATION AND PRODUCTION OF HYDROCARBONS WITH A NEW MODUS-OPERANDI: RISK CONTRACTS**

RISK CONTRACT EXPLORATION AND PRODUCTION OF HYDROCARBONS LAW Nº 21.778

The contractors:

- Must assume all risk inherent to the exploration and production of hydrocarbons.
- Must provide for technology, capital, equipment and other investments.
- Must not acquire any property right on the produced hydrocarbons.
- Must operate according to the general practices ruling the exploration and production of hydrocarbons.

Basic aspects of the tenders and direct contracts:

- Areas will be granted through public tender.
- Only as an exception, state companies will be authorized to enter into direct contracts
- Periods of exploration:
  - Offshore areas: up to 7 years
  - Inland areas: up to 5 years
- Periods of production:
  - 25 years
- Payments can be made:
  - Cash
  - In hydrocarbons (when the country becomes selfsufficient and has enough oil reserves).

Taxation system:

- Companies can choose between the following options:
  - Current taxation system
  - The same system with some modifications:
    - For income and capital taxes, the investments made on depreciable goods can be 100 % amortized during the first fiscal years, but only in order to make the balance of the income tax derived from the risk contract.
    - Losses on derived taxes can be adjusted according to the oscilation of index prices of subsequent years.
    - Customs duties free.
    - Companies or persons that make investments on grantee companies can deduce from their taxes 100 % of such investment.
    - Foreign investments are excluded from the regulation of Law Nº 21.382 and are subject to the terms of each contract.

ARGENTINE GOVERNMENT OILFIELDS

YACIMIENTOS PETROLIFEROS FISCALES  
SOCIEDAD DEL ESTADO

Legend:  
 Areas: already awarded  
 Areas: to be granted

## ADVERTISEMENT

## BUENOS AIRES STOCK EXCHANGE

The Argentine legal regulation on stock exchanges is very particular.

The offer of securities in Argentina is regulated by Act 17811 of 1968. This legislation sets forth the operation of three institutions: the National Securities Commission, the stock exchanges authorised to list securities, and the stock markets. The National Securities Commission, an autonomous government agency, supervises the stock exchanges authorised to list securities as well as the stock markets and deals with all matters related to issues traded "over-the-counter." Concerning the latter it establishes the requirements to be fulfilled in order to offer securities to the public, keeps a record of the over-the-counter brokers and supervises their activities.

The stock exchange authorised to list securities are empowered to set forth the requirements that must satisfy those corporations interested in quoting their shares. Furthermore, they supervise them and are responsible for maintaining a record of the proceedings and for their publication.

On the other hand the stock markets take care of the registration and supervision of the stock brokers, keep record of their transactions and guarantee the compliance of their obligations with their clients. So, the National Securities Commission has direct jurisdiction on everything connected with public offering, on stock exchanges and stock markets and only a jurisdiction delegated through the stock markets on all matters concerning listing and operations carried out in the exchange.

As a matter of fact though, stock exchanges and markets are independent institutions as regards their legal bodies, capital and management, they are closely connected as regards their operations because, within the Argentine legal system, said operations could not be performed without the participation of both institutions. The Securities Commission created by law, is a body that formally connects both institutions, and with which we will deal with afterwards. The Buenos Aires Stock Exchange, founded in 1854, is a non-profit association. Its governing bodies are: the General Assembly which meets once a year to approve managerial documents and to appoint the council of the stock exchange which in turn appoints the stock exchange's administrative bodies: the council; the board; the securities commission and the president.

The council, president, and the securities commission, are the bodies empowered to deal with matters concerning the listing of securities.

The Council of the Stock Exchange is a body where the principal sectors of business activity are represented.

When a corporation wants to be listed in the stock exchange, it should fulfil certain requirements which we will deal with afterwards. Once the managers of the stock exchange have analysed the listing application, the securities commission studies it. If the

securities commission's conclusion coincides with that of the president of the stock exchange, the latter authorises listing. If not, he hands the matter over to the council which issues a definitive ruling.

The Stock Exchange's ruling which deny listing authorisation and those which suspend or cancel a previously granted authorisation (which have a similar procedure) can be judicially appealed. The listing requirements are established in the listing rules and regulations issued by the Buenos Aires Stock Exchange pursuant to powers granted by Act 17811. It is a very severe and detailed regulation, of which we will mention some points that we consider worth mentioning:

Conditions to be fulfilled by corporations applying for listing: these conditions are designed to help the Exchange to evaluate the importance of the corporation. Its corporate object should be such as to qualify for having access to public savings. It must also have an adequate organisation to enable it to have reasonable prospects of success, and it must fulfil the requirements of the listing rules and regulations.

Within this kind of information we may make a change in corporate objects, change of corporate names, capital increase or reductions, merger with other corporations, all of which should have the prior consent of the exchange. All these requirements are meant to keep shareholders well informed and to protect minority shareholders.

The rules and regulations of the Stock Exchange include disciplinary measures which comprise from a reprimand to the cancellation of listing. These measures could be applied to those corporations which violate the provisions of the listing regulation, or the laws, or to those which operate in a distorted market. As we have said before, listing suspension and cancellation can be judicially appealed.

To fulfil its register duties, the Exchange is in charge of the entering and registration of quotations at the time operations on the floor are closed.

Once a transaction is agreed, it is recorded on the blackboards and registered in the Buenos Aires Stock Exchange's records. As regards disclosure, the Stock Exchange publishes a newspaper where transactions are published together with their amount and price in the sequential order in which they were carried out during each session.

Apart from the publication of quotations, the Stock Exchange makes other disclosures which could be divided in two groups: one, is the fulfilment or non-fulfilment by the corporations of the Exchange's listing rules and regulations. As soon as an especial development takes place in a corporation, the Exchange makes it publicly known on a special blackboard and publishes it in its newspaper. The newspaper also publishes balance sheets and annual reports, calls to meeting of shareholders, dividends, capital issues, etc.

## ARGENTINA X

Profile: Jacobo Silverman

## Victim of the regime

JACOBO TIMERMAN has always had the image of a sharp-tongued, not to say ruthless—businessman, and a newspaper publisher of something approaching genius. For the past two decades in particular he was the most visionary figure in the always turbulent and sometimes brilliant world of newspaper and magazine publishing in Argentina. Learning the trade on the serious evening newspaper La Razon he started on a career during which he launched his own publications, most of which distinguished themselves for their punch and popularity. In the early 1960s came *Confirmao*, a weekly in the style of *Time* magazine. After bringing it to the top of the market, he disposed of it only to found a rival, *Primera Plana*, to which he attracted some of the stars of journalism who had worked with him on *Confirmao*. *Primera Plana* also came to the top and was in its turn disposed of. Then came Timerman's most daring venture, a daily tabloid modelled very closely on the Paris daily *Le Monde*. Again the stars of journalism flocked to the editorial offices of *La Opinion* in Calle Reconquista in the old part of Buenos Aires. "You are trying to bring out an Argentine version of *Le Monde*," one acquaintance remarked to him at the time. "It's not a version," Timerman riposted. "It's a faithful copy."

It was in appearance a faithful copy of the French daily. It had the same lack of photographs, the occasional graph or diagram, the same tabloid form and the same intellectual style of writing, which, however, never sank to the pompous longwindedness of much of the Argentine press. The masthead of *La Opinion* was even cast in the same Gothic type as *Le Monde*'s in Paris.

During the time Timerman was at the helm *La Opinion* never wrote—perhaps never

wanted to write—with the same boldness and objectivity as its model. Many times successive governments limited the freedom of the Press, and then, as now, journalists were conscious that an excess of plain speaking left them liable to swift assassination or lingering torture and imprisonment. Despite that the Daily was the most refreshing read of all the Press in Buenos Aires, providing always that the reader realised that he was not being told the whole truth.

Timerman's staff on his successive publications tended to loathe him for his opportunism, detested him for his brazen ruthlessness in business and always admired him for his never failing talent for producing the best newspaper that could be produced in the city. Timerman never had any qualms about halting ventures and firing staff when it appeared that a publication was going to lose money. One daily newspaper in the western provincial city of Mendoza was aborted shortly after takeoff, and a few score people who had been recruited in Buenos Aires suddenly found themselves without work in a strange town.

At no point in his career did Timerman hide his Jewish faith or his support for the cause of Zionism. His Zionism, however, was never so intense as to make him want to quit the intense and glamorous life he led in Buenos Aires and go and live in Israel, and he never let his publications become blatant propaganda sheets for the Zionist, anti-Arab cause.

Born near Kiev 57 years ago of parents who emigrated with him to Argentina, he seemed driven to make a prominent mark in the country of his adoption. These were characteristics he shared with the controversial banker David Gravier, who was also of Eastern European origin. Gravier and Timerman were associates and Timerman assuredly knew of the relationship that the former forged with the Montonero Movement, the radical group of Peronists who were originally used and acknowledged and later disowned by the ageing General Peron and who were sub-

sequently outlawed and went underground as a guerrilla organisation.

Gravier disappeared after the aircraft in which he was travelling crashed into a mountainside in Mexico three years ago. He was widely said to have continued to be the financial agent of the guerrilla movement even after it had been outlawed. On April 15, 1977, at two o'clock in the morning, Timerman was arrested by agents of the military junta headed by General Videla. For some days the government denied knowledge of his whereabouts. He surfaced briefly at the central police headquarters in Buenos Aires, disappeared once again and surfaced a second time at the prison of La Plata, a city an hour's drive from the capital. During this time he was being interrogated extensively, his interrogators making continuous use of electric shock methods. After about six months in detention he faced a military tribunal which cleared him of charges of having been involved in guerrilla activities, or "subversion" as the military junta terms the opposition. He was not, however, released.

## Cleared

On July 20 last year the Supreme Court ordered his release, seeing that he had been cleared of charges and no new accusations had been made against him.

He has been detained up to the time of writing with no charge made against him. He is confined to his flat on the 15th floor of a smart apartment block in the expensive residential area of the Barrio Norte of Buenos Aires. Legal experts say that there is no regulation, even among the battery of regulations which allow the junta to do virtually what it pleases in Argentina, which allows his confinement.

He is not even formally "placed at the disposition of the Government" a procedure which allows the military to detain whom they want for as long as they want.

It is clear that one of Argentina's best-known publishers is

held at the whim of officials, and it is becoming increasingly clear that the anti-semitism which is widespread in Argentina, particularly among the officer class, is responsible for the situation.

For a year three police have occupied the flat where Timerman is imprisoned, three more have been at the door and a further three have sat in a patrol car at the door.

The captive is allowed the occasional visitor and on rare occasions the use of the telephone, but he is not allowed to go down to the street. The strain of having three police in the flat occupying many of the rooms and eating from the Timermans' refrigerator has taken its toll of the publisher's wife, Risha, who recently left for Israel.

President Videla has been deaf to the pleas for Timerman's freedom, which have come from right across the international political spectrum, from some of the opponents of the junta, from the U.S. Ambassador, from Amnesty International and from a host of conservatives who could never be accused of sympathy with the Left. Professor Milton Friedman, U.S. economic adviser of the Chilean junta; Aleksander Solzhenitsyn; and Herr Franz-Josef Strauss, the Bavarian political leader.

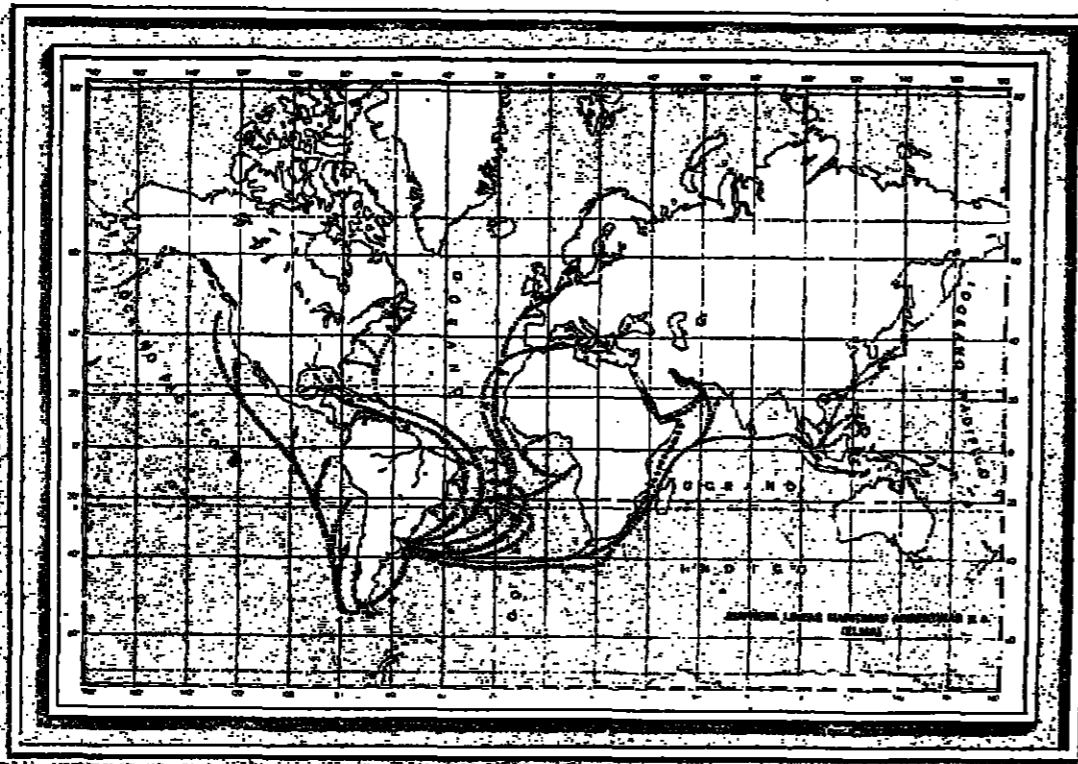
On April 17 the distinguished columnist Manfred Schonfeld, writing in the conservative daily *La Prensa*, pointed out uncompromisingly towards anti-Semitism as the principal reason for Timerman's continued imprisonment. "There are sectors in the country," Schonfeld wrote, "which are not only racist but are so in a virulent form and which are also acquiring increasing influence." He went on to point to the links which are often made between Nazi elements and certain military personnel.

Despite informal assurances from General Videla, the army commander, that Timerman would be released on the second anniversary of his imprisonment this month, he has been kept inside.

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Profile: Ralph Emery

## Oilman, banker and impresario

IT WOULD be a foolhardy businessman who claimed to know more about trade links between Britain and Argentina—indeed between Britain and Latin America as a whole—than Ralph Emery. Having made one career in oil he became a banker, started the London representation of the Banco de la Nacion Argentina in 1973 and, having stepped down from the senior position at the bank in 1978, continues as manager for public relations and outside contracts.

Mr. Emery read French and Spanish at Christ's College, Cambridge, joined Shell and in the 1930s found himself with a cash float of £100 and a few bottles of sample oils to hawk round Shell's agents and customers in the area of Nueve de Julio, a country town in the province of Buenos Aires. "They were fairly basic products," he recalls. "No one worried too much about viscosity, you just had a row of bottles, Heavy, Medium Heavy, Medium, that sort of thing."

After a few months of covering his beat by train he was allowed a car in which he travelled to the estancias of his area. The early years in Argentina, which he says enabled him to get his first intimate knowledge of Argentine farming at its roots, were only the prelude to decades of work dealing with Shell's business in the region. After a first spell in Argentina came time in Montevideo, then a refresher course in the U.S. with Shell Oil, where he first saw an integrated operation with production, refining and marketing all being carried out by one company. Back then to Peru and Mexico, where he was responsible for negotiating the final settlement of the dispute over the Mexican nationalisation of Shell's Mexican Eagle assets, which had led for a time to the breaking of diplomatic relations between Mexico and Britain.

Back then in 1950 to be President of Shell Argentina. The early 1950s saw the beginning of the end of General Peron's first period of rule in Argentina and the death of his second



wife, Evita. I asked him whether he felt the current musical reflected anything of the spirit of the age in Buenos Aires.

"I don't think it reflects the egoism—no, rather the vindictiveness—of Eva Peron," he says. "But then perhaps it wasn't meant to."

By 1953 he was on the move again, this time to Brazil and Rio. He confesses to some nostalgia for the Brazil of those times. "I had a flat overlooking Botafogo Bay and the Sugar Loaf Mountain and every day I would get up, look out of the window and say to myself, 'It can't be true. Nowhere in the world can be as beautiful as this.'" At that time, before the fast growth of more recent years Rio de Janeiro was still bigger than Sao Paulo and everyone speculated about when Sao Paulo would overtake its rival.

Ralph Emery's time in Brazil coincided with the first years of the state oil company Petrobras and the general hotting up of the rivalry between the state

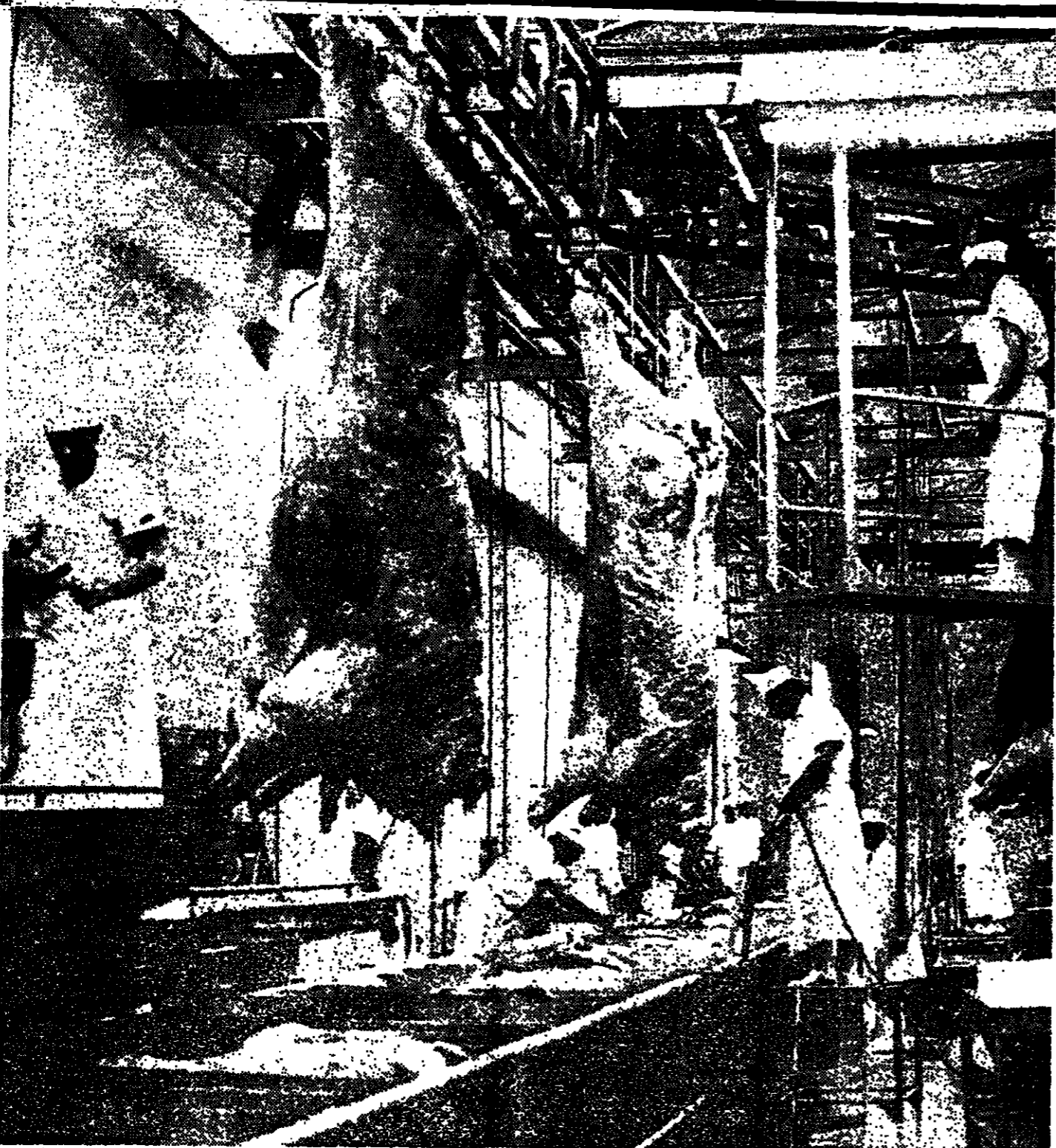
oil companies in Latin America and the private oil concerns. Today he takes a philosophical view of the national aspirations of the countries of Latin America to exploit their own natural resources and says that the oil companies are made up of "patient, pragmatic people who have to live with reality."

He adds that he believes that the time is ripe for a period of co-operation on realistic terms between the state oil companies and the foreign concerns in Latin America.

In 1953 he returned from Rio to London for the final period of his time with Shell as coordinator for Shell International for Latin America. "I qualified for a pension and thought I should try something other than oil," he says, "though his new start in banking was something of a beginning of a new life. After Shell he went to Samuel Montagu and later to Wm. Brandts as adviser on Latin America and Spain, before being asked by the Argentines to start the first operation of the state owned

CONTINUED ON NEXT PAGE

ARGENTINA XI



A meat processing line in a Buenos Aires factory. The Argentinians have overtaken the Uruguayans as the world's largest consumers of beef

# World record beef eaters

THE ARGENTINES are conservative in their gastronomy, to the point of being unimaginative. And they are getting more so instead of less. Last year, the per capita consumption of beef by the Argentinians, notwithstanding rising prices, increased to 83 kg, and apparently surpassed that of their neighbouring Uruguayans, who had long held the record as the world's number one beef gorgers. The smell of Buenos Aires at midday, with a surfeit of asado de tira, vacio and chorizos roasting over wood embers at countless construction sites, must be disquieting to any devout Hindu or convinced vegetarian.

There are nearly 4,000 restaurants in greater Buenos Aires, but only one is macrobiotic and only one is vegetarian. As though it expected to be raided by the police at any moment, the single vegetarian restaurant has hidden itself away, with its 20 tables around an inside courtyard in the Plaza, once the Jewish district. The Italian influence in Argentina is strong, not to say overwhelming. There is more Italian than Spanish blood in the collective veins of the Argentinians. All three members of the military junta are of Italian descent — Viola, Lambruschini, Graffigna. A result of this pervading Italianism is that the Sunday

midday meal of pasta — ravioli, fettucini, capelletti or tallarine — has become a tradition with the Argentinians. But if the Sunday pasta is not accompanied by estofado, inevitably beef stew in Argentina, it is followed by a separate beef dish.

The Argentinians' high intake of beef and, inevitably, animal fats, is widely blamed for the high incidence of blood disorders, gout, liver and kidney diseases, heart attacks, high blood pressure and cancer among them. In March, Catalonian dietitian Ana Maria Lajusticia, as always on a crusade for us to consume more magnesium (according to Sra. Lajusticia, a latterday Catalonian proverb is: "Without magnesium, we are no one. Without magnesium life is not worth living." Said of the Argentinians' penchant for devouring bifjes at any time of day or night: "A people which is so carnivorous should know that they are polluting their blood with urea and disturbing their livers, their kidneys and their eyesight. Go ahead and eat your famous bife de chorizo. Yes, by all means. But cut off the fat."

A great doubt as to whether experts practice what they preach, emerged in Buenos Aires in October last year when the 7,000 delegates to the International Cancer Congress were served with — and pretty well consumed at one sitting — 20,000

chorizos, a particularly fatty sausage, 12,000 blood sausages, 800 lengths of a beef rib cut, 200 lambs, 200 kg of sweetbreads, 2,000 lengths of chitterlings, 5 tons of delicacies including lobster, crab, turkey and suckling pig, 20 kinds of cheese, other assorted cold cuts, 1,000 bottles of champagne, 500 bottles of fine wine, 600 bottles of whisky, 1,000 litres of beer, 2,000 bottles of soft drinks; also 1,300 kg of bread.

The efforts of officialdom — this Government and previous ones — to get the Argentinians to eat any meat but beef has been an uphill struggle. Last year, the per capita consumption of pork and mutton increased, but only slightly, to nine and five kilograms per head, respectively. The same has been the case with fish, which abound in Argentina's magnificent rivers, lakes and territorial waters (300 miles wide and 1,500 miles long in the Atlantic Ocean). The Argentine navy and coast-guard diligently police the territorial waters to keep out poachers, especially fishing fleets from Iron Curtain countries. But the Argentinians on the average ate only 8 kg of fish each in 1978.

A peculiarity of the gastronomic scene in Buenos Aires now, as before — and a mystery too in view of the constantly rising cost in real money, of eating out — is the opening of new restaurants. Derek H. N. Foster, the English-language Buenos Aires Herald's caustic food and wine critic, who sometimes seems to be carrying on a one-man campaign to improve Argentine cuisine, wrote recently: "If there is one thing that is never lacking in BA it is novelty. Not that much of this novelty is worth writing about, even in a superficial manner. . . . Italian restaurants are a dime a dozen in this city

and few are worth any particular attention. . . ."

A besetting ailment of Buenos Aires restaurants is their tendency to be erratic in the food they serve and in the expertise with which they serve it. The only constant any more is the steady increase in prices. By way of saving on printing costs, many restaurants list their prices on the menu in pencil: easily erasable. The general unreliability of Buenos Aires restaurants in matters having to do with quality is usually caused by the quick turnover of cooks, other staff and even owners — a phenomenon seemingly more pronounced here than in other large cities. There are exceptions, of course, but they are no guarantee of lasting quality. Some Buenos Aires restaurants which have not changed ownership or staff for 30 years maintain undeserved fame with stultifying menus which never change.

Contributing mightily to the price of a restaurant meal in Argentina is the wine. In fact, Argentina's chance to export this part of its gastronomy — its increasingly excellent wines — is being ruined by rocketing prices. A spokesman for Vinos Argentinos, a company which is trying to export some of the better local wines, told me the other day: "We have priced ourselves out of the market." This seemed to be confirmed on April 17 by David Stevens, of Matthew Clark and Sons, the company which imports Argentine wines into Britain. Mr. Stevens said in Buenos Aires: "Argentine wine is now disproportionately more expensive than Italian, Spanish, Greek, Bulgarian, Romanian and Hungarian wines, and those of the rest of the world, and thus will lose the British market, where we had such a hard time launching it."

R.L.

## Oilman

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Banco de la Nacion Argentina in London. Mr. Emery got the Bank involved in a number of consortium loans, some of which it co-managed, including a \$75m issue for SEGBA, the Buenos Aires power company. The bank was involved in a good deal of business outside Latin America, including issues for Spain and Portugal and Sonatrach in Algeria.

Last year he handed over the running of the Bank to an Argentine colleague, staying on as a "contact man." But as people in the musical world know well there is more to Ralph Emery than oil and banking. Since 1982 he has shared the responsibility of the English Bach Festival with his Greek-born wife, Lina Lalandi. The Emerys have provided a financial cushion for the Festi-

val since its inception. "We sometimes had to put up a bit of money, which we sometimes got back," he says.

The Festival has grown from an event which originally sought to have Bach's music performed by orchestras producing sounds faithful to those of the period of the composer's era. "The Festival was at the beginning of the whole movement in England of playing music on instruments authentic to their period," he says. This year's productions include an opera by Rameau, which receives its first performance at the Queen Elizabeth Hall on May 1. "It's one of those passionate things," he says in a quiet tone which belies his commitment to and absorption in the Festival.

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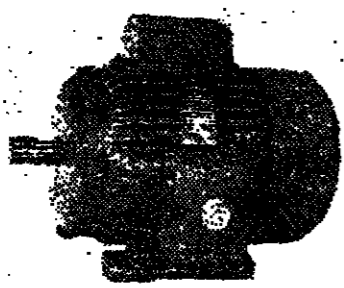


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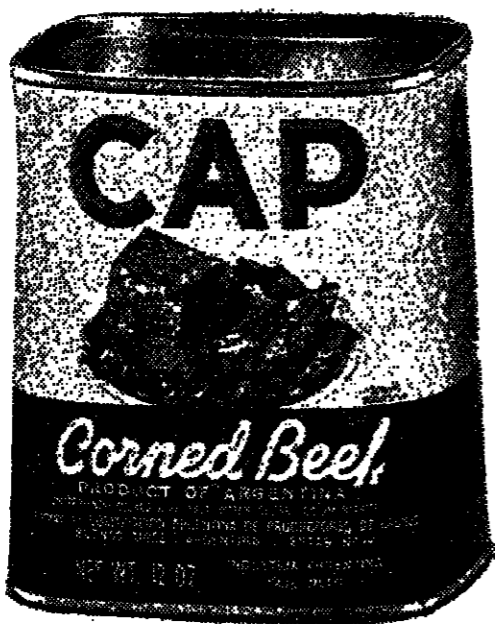
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# ARGENTINA XII

## Border rivalries cool down

THE MAIN preoccupation of Argentina in its global strategy is, inevitably, Brazil. Not only are the two countries South America's giants; they share a common border.

The rivalry between Argentina and Brazil has existed from colonial times when neither was an independent republic. The friction between them today over the development of the upper Paraná River is a case in point: Brazil objects to the height of the dam which Argentina proposes for its programmed hydro-electric project (jointly with Paraguay), at Corpus on the Paraná River, maintaining that a dam of such size would reduce the efficiency of the Itaipu hydro-electric scheme which Brazil is building upriver with Paraguay.

The game of pressures and counter-pressures in the River Plate basin by Brazil, at times in partnership with Paraguay, is part of the geopolitical action which dates back to the Portuguese Empire," says Sergio Cerón in the Buenos Aires daily, La Opinión.

Referring to the question of the size of the dam at Corpus, Sr. Cerón concludes: "The wager is much higher. It is levelled at the question of who will dominate the River Plate basin, which is the Ruhr Basin of Latin America. The challenge is geopolitical and, as such, must be accepted."

Now that the conflict between Argentina and Chile over the Beagle Channel has been shelved indefinitely—with the mediation of Pope John Paul II—the River Plate basin once again is the number one priority of Argentina in its geopolitical thinking. The director of Argentina's Institute of Geopolitical Studies, Augusto E. Rattenbach—a retired army colonel—says so with emphasis: "The first, indeed red-hot, area is the River Plate basin."

Despite Paraguay's policy of at times, playing off Argentina and Brazil against one another, Argentina's efforts to maintain optimum relations with the other three River Plate basin countries—Paraguay, Uruguay and Bolivia—have been for the most part successful. Now that the Eximbank, after refusing Argentina a loan to buy Boeing jets for Aerolíneas Argentinas because of Videla's regime's human rights record, has approved a loan for Yacireta-Apipe hydro-electric scheme, (another planned joint venture between Argentina and Paraguay on the upper Paraná River), co-operation between the two countries is moving ahead again.

### Vital

There also is the consideration that 65 per cent of Paraguay's exports are marketed with Argentina, 50 per cent of them through the port of Buenos Aires.

Peru, although on the Pacific Ocean and not within the River Plate basin, is vital to Argentina geopolitically. Col. Rattenbach comments: "Peru always has been a special ally. Moreover, Peru—and I am interested that the term be interpreted precisely—is a strategic compensator for Argentina, just as Chile is a strategic compensator for Brazil." He repeats: "Peru is a country of the first priority for Argentina."

When it looked as though Argentina and Chile would go to war over the Beagle Channel dispute, Argentina looked to Peru and Bolivia as natural allies. Both these neighbours of Argentina have serious longstanding grievances with Chile originating in the 1879-1881 War of the Pacific in which Chile annexed two provinces from Peru and took away Bolivia's outlet to the sea.

Argentina denies that in the months leading up to the climax of the Beagle dispute with Chile, in December last year, it formed an anti-Chile alliance with Peru and Bolivia. But it was a period when Argentina installed a test nuclear reactor near Lima, and promised Bolivia nuclear technology, and when Bolivia broke diplomatic relations again with Chile, claiming that the Pinochet regime was not serious in talks supposedly aimed at returning to Bolivia its outlet to the Pacific.

In November, 1978, the Peruvian Foreign Minister, José de la Puente, while on a visit to Santiago, Chile, denied the truth of a report then circulating that Peru had declared its neutrality in the Beagle Channel dispute. Brazil, generally conceded to be pro-Chile in the dispute, was, however, meticulous in denying it repeatedly.

Argentina's threat to take armed action against Chile in the dispute in the Beagle Channel—which is at the southern tip of South America where the waters in the region are considered by Argentina to be its gateway to the Antarctic—reflected this country's determination to keep the sea lanes open for trade with the Far East and Australia.

Argentina's claim to sovereignty over the Falkland Islands, a British Crown Colony which Argentina calls the Malvinas Islands, is also tempered

by thoughts of assured access to Antarctica, a continent which holds out promises of untold riches for the future.

There is avid interest in the Foreign Ministry in the outcome of the British General Election. There is a belief in Argentina, surely unfounded, that the Tories when in power are more adamant in upholding Britain's continued sovereignty over the Falkland Islands than is Labour.

Argentina well realises the disadvantages, in its rivalry with Brazil, resulting from its low population (barely more than 25m) and the birth rate, which is one of the lowest in the world.

While the Government of Brazil, which has a growing population of 110m, is in the process of initiating a birth-control scheme, appeals to the Argentine populace by successive governments for an increase in the birth rate have come to nothing.

### Immigration

Another retired army colonel, Horacio Ballester, who is on the board, with Col. Rattenbach, of the Institute of Geographical Studies, sees massive immigration as the only solution to Argentina's demographic dilemma.

"We cannot expect a solution solely through the vegetative growth of the population, he says, adding that immigration from Chile, across the cordillera, is the only salvation for Patagonia, the most sparsely populated of Argentina's many sparsely populated spaces. The Chileans, says Col. Ballester, "are the ones who are the nearest, the ones who want to come and the ones who already are acclimatised to work in that region."

But the Argentines see a problem with Chilean immigration. Many of the Chileans who already are in Patagonia (an inclement, windswept expanse where most Argentines refuse to live and work) maintain their close affinities with their native land, whether they have Argentine papers or not.

During the Beagle Channel crisis, Chileans in Patagonia especially were widely accused by the Argentines of constituting a fifth column—"spies in our midst."

But Col. Ballester says that the problem is not the influx of Chileans into Patagonia, but that there are no controls on their immigration. He relies on Argentine Government controls, as well as communications, paved roads, air fields, ports, radio and television to make good Argentina's of the Chilean immigrants—and of the Bolivian immigrants in the north-west and the Paraguayan immigrants in the north-east.

The Argentines' need to populate their country, and in so doing make full use of its natural resources, is probably the prime consideration behind

the Videla's regime's ambitious plans—in many instances still not well defined, for development.

The National Nuclear Plan, approved in January, is a case in point. The nuclear plan is the best chartered of all the development plans. The only Latin American country so far with a functioning nuclear power reactor, Argentina will have a second one working by the end of 1981 and has earmarked \$10,000m for the installation of four more of them, plus a heavy water plant, by 1987.

Argentina's decision to install a heavy water plant as soon as possible—because the line of reactors for which it has opted uses natural uranium, which the country has in appreciable quantities, and so must have heavy water for the moderator—has caused a considerable stir in Europe and the U.S.

The State Department has voiced its "preoccupation." Argentina has not signed the 1976 Tlatelco (Mexico) non-proliferation treaty, and last month, the president of the National Atomic Energy Commission, Rear Admiral Carlos Castro Madero, announced that Argentina is ready to renounce any further technical assistance from that entity (although it will not withdraw from the International Atomic Energy Organisation), "because of the

hindrances put up by the more developed countries and the excessive restrictions on the interchange of technology."

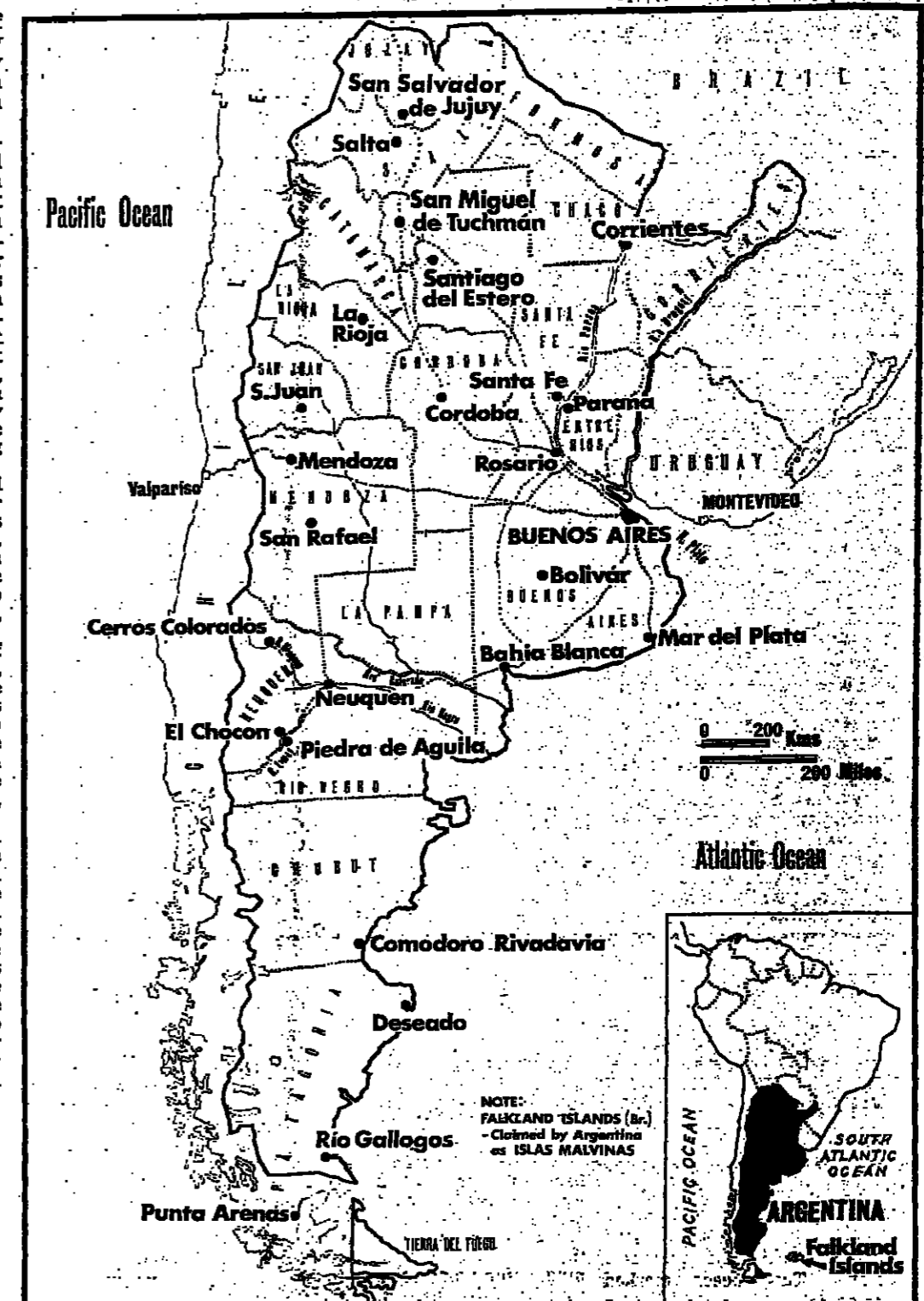
He added that Argentina will continue to offer its experience to other Latin American countries interested in developing their own nuclear capability. He also said that Argentina is interested in plutonium technology, "which could double our uranium reserves and make possible the utilisation of a new generation of power plants, using plutonium, in the 1990s."

### Reactors

In other words, Argentina wants breeder reactors which are capable of producing the radioactive fuel which they use.

Admiral Castro Madero said that Argentina's nuclear plan has only peaceful ends and has rejected a reporter's mention that Argentina is the "nuclear leader" in Latin America. "The phrase is irritating for the pun-tries to create a competitive situation between our country and Brazil... both nations have elaborated their own nuclear plans in direct relation to their needs and realities."

The admiral added that whether Argentina one day will make an atomic bomb is "an eminently political decision."



# Latin America Surveys 1979

The Financial Times is planning to publish a number of Surveys on Latin America. The titles and proposed publication dates of those planned are listed below. Other titles may be added during the course of the year.

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# Party games with capital taxes

BY CEDRIC SANDFORD

Whatever the result of the General Election, changes in British capital taxation are almost certain to follow. They will differ greatly, though, depending on who wins on May 3.

## A Labour Win

A Labour victory would bring the most marked change: the introduction of an annual tax on net personal wealth over £150,000. The idea of a wealth tax had been around in Labour Party circles at least since 1955 and it appeared in both 1974 Labour manifestos. Why then, after nearly 25 years of talk, and five of Labour Government since its manifesto commitment, do we still not have a wealth tax?

The story is worth re-telling. Mr. Denis Healey, the Chancellor of the Exchequer, pledged himself to the tax in his first budget. A Green Paper, notable for its vagueness, appeared in the summer of 1974. A House of Commons Select Committee took evidence during 1975. It failed to achieve a majority report, but the various minority reports had much in common and a mass of evidence was collected. Thus, in the autumn of 1975, the basis for legislation was there if the Chancellor had chosen to act.

At this point Mr. Healey's resolution wavered. In December 1975 he announced that because the Select Committee had taken "a good deal longer than the Government had hoped" and because of "the many issues involved" he could not propose legislation during the current session. The following year he indicated that he was not proposing to introduce the tax during that Parliament. Any hopes Mr. Healey may have had

that the tax could be interred quietly were quickly dashed. A working party was set up by the TUC/Labour Party Liaison Committee to seek practical ways of introducing a wealth tax.

The working party's report was endorsed by Mr. James Callaghan, the Prime Minister, and other members of the cabinet in December 1977. Its recommendations are thus a clear indication of Labour's proposals (the details of which are not included in the Manifesto) except that the threshold, set at £100,000 in 1977, was raised to £150,000 in July 1978 in a later agreement of the TUC/Labour Liaison Committee. The report proposed the family, rather than the individual, as the tax unit; rates rising from 1 per cent to 5 per cent (on wealth over £5m) with no ceiling provisions; relief for small businesses, working farmers and forestry on the same lines as CTF; full exemption for heritable property subject to reasonable public access. The value of accrued pension rights was to be excluded from the tax base. The introduction of a wealth tax, it was suggested, might make possible some reduction of income taxation on earned income.

Two main arguments for a wealth tax were set out by Mr. Healey in the foreword to the Green Paper. The first is an argument of equity. Wealth gives its possessor advantages over and above the income derived from it, such as security, independence, opportunity. An equitable tax system must take account of this taxable capacity. Income tax differentiation, as in the UK, is an imperfect way of achieving the equity objective because it fails to tax wealth such as jewellery, which yields no money income, and it taxes inadequately wealth which yields little income but generates capital appreciation. Hence income tax should be supplemented by a wealth tax. In theory this argument is

strong. It breaks down in practice because wealth taxes inevitably generate their own forms of inequity. Some assets, like personal valuables, are easily concealed from the taxman whilst others are not. Some like stock exchange securities, can readily be valued at market price, others like land and private businesses cannot and in practice are generally undervalued. The exclusion of pension rights creates major unfairness between persons, especially in inflationary times. Such inequities affect all existing wealth taxes; Labour's proposals are worse, for they completely deny the principle of equity. The logic of the equity argument is the replacement of the investment income surcharge by a wealth tax. But the vast majority of wealth-holders would be below the threshold of £150,000, which is at least three times as high as that of any Continental wealth tax, and they would still be left paying surcharges on unearned income. Where is the equity for them?

The second argument, and that most stressed by Labour, is that wealth taxes reduce inequality in the distribution of wealth. Labour's proposals would contribute to this objective both by reducing the wealth of the very wealthiest and by encouraging them to emigrate. But is the target right? The Reports of the Royal Commission on the Distribution of Income and Wealth have revealed a very marked decline in the proportion of wealth held by the top 1 per cent of wealth holders (from 23 per cent of total wealth in 1980 to 18 per cent in 1975); but the proportion of wealth held by the top 5 per cent, or the top 20 per cent, has fallen much less.

Yet a wealth tax with a threshold of £150,000 would affect only a fraction of 1 per cent of top wealth holders, the very section where wealth holding has declined most. Any



serious policy for reducing inequality by means of an annual wealth tax must spread its net far wider. Moreover many egalitarians consider any wealth tax an unsuitable instrument for promoting equality because it is insufficiently discriminating. Wealth is taxed equally irrespective of source: whether acquired by hard work, saving and enterprise, by inheritance, or by winning the pools.

A threshold as high as £150,000 has distinct advantages. It would alienate fewer electors, be easier to administer and have less serious economic repercussions than a wealth tax with a lower threshold. None the less the economic detriment would be real. Many of those affected would be paying wealth tax and income tax combined at a marginal rate above 100 per cent of income; some would be paying at an average rate of over 100 per cent. Assuming a 10 per cent return on wealth a 1 per cent rate of wealth tax is equivalent to a 10 per cent income tax, a 5 per cent wealth

tax to a 50 per cent income tax. At that rate of return on wealth, at present income tax rates, and allowing the investment income surcharge to be offset, the maximum marginal rate of income tax and wealth tax combined would be 133 per cent. Any ceiling provision (limiting the proportion of income taken in income tax and wealth tax combined) was expressly ruled out by the Labour Party/TUC agreed proposals.

If marginal tax rates exceed 100 per cent of income, saving is futile; if average rates exceed 100 per cent of income, saving is impossible. The only benefit to the wealth holder from trying to restrict consumption is to reduce the rate at which his property declines. Such a wealth tax must be expected not only to reduce savings amongst the rich but positively to promote dissaving: the rich may well start consuming more of the cake, not less. Such tax rates also constitute a strong incentive to evade.

The concessions to agriculture and to private business will reduce the impact of the tax on productive assets. But at present farm values many owner-occupiers would come within the clutches of the tax and might feel obliged periodically to sell some land to retain the rest, reducing the viability of their farms. Although the tax might cause land prices to fall sufficiently to take some farmers out of its orbit, a substantial drop might generate bankruptcies among recent buyers. Building up a private business would become more difficult, and a wealth tax would still have to be paid (even if on a lower value) when profits were small or negative. Mr. Harold Lever, the minister with special responsibility for small business, has not hidden his dislike for a wealth tax.

Add to these demerits the abnormally high collection costs

for little revenue and the psychological damage to business confidence at a time of heavy unemployment and high inflation, and it is little wonder that Mr. Healey sought to drop the tax.

## A Tory Win

In a negative way the Conservative Manifesto is wholly explicit. "We reject Labour's plan for a Wealth Tax," it says. But the positive Conservative proposals are coy: "We shall deal with the most damaging features of the Capital Transfer and Capital Gains Taxes, and propose a simpler and less oppressive system of capital taxation in the longer term."

Conservative policy, no less than that of Labour, has reflected differences of opinion. Mrs. Thatcher, as a Shadow Chancellor bidding for the party leadership, castigated Capital Transfer Tax in the House of Commons. "We shall therefore repeal this tax," she said on January 21, 1975. Not long after her Treasury shadows were seeking to disengage from the commitment by talking of "removing the teeth" from CTT whilst taking an unhurried look at possible long-term changes. That the promised "Opposition Green Paper" on capital taxation failed to materialise almost certainly reflects differences of opinion within the party. Thus we can only speculate about forthcoming changes.

First, the more immediate changes to CTT. Since Mrs. Thatcher's pledge of January 1975 much has happened. The Government has conceded lower rates for life-time gifts than for property left at death. Subsequently substantial concessions were granted to agriculture and industry, the zero band limit was raised to £25,000

and the annual exemption to £2,000. Tax-free transfers between husband and wife effectively double the limits for a married couple.

The scope for avoidance is hardly less than under estate duty. Indeed, OECD figures show that whereas in 1965 the old estate duty contributed 2.6 per cent of total tax revenue, the equivalent of 0.51 per cent of GDP in 1978 only 0.87 per cent of UK revenue came from death and gift taxes, equivalent to 0.32 per cent of GDP. In the OECD league of the ratio of death and gift tax revenue to GDP, Britain was top in 1965; by 1976 it had fallen four places.

With Mr. Healey proving such an effective dentist it is difficult to see that more extraction is required. Apart from a more generous basis of relief for maintenance funds for the support of heritage property, to which the party is committed, one possible change is a reduction of the cumulation period, say from lifetime to 20 years or 10, during which a donor's gifts are aggregated for tax purposes.

The most "damaging feature" of Capital Gains Tax (CGT) arises from inflation: CGT may be levied on a money gain even when there has been no real gain. Mr. Nigel Lawson, an opposition spokesman on Treasury affairs, has pressed the Labour Government to inflation-proof the tax by indexing the acquisition price of assets in calculating the gain. The Government rejected this solution and instead eased exemption limits. Some indexation may be introduced by the Conservatives or they may go further along the easier but less logical path of exemptions and lower rates.

In the longer term the most interesting issue is whether the Tories would retain a donee-based capital transfer tax or switch to a donee-based gift and

inheritance duty where the tax falls on the recipient of a gift or legacy. There is an honourable Conservative tradition favouring inheritance tax.

Lord Randolph Churchill, Balfour, Winston Churchill and, more recently, Lord Salisbury were all sympathetic to it. A donee-based tax would be entirely in line with the Conservative philosophy of seeking both to curb the State and promote a property-owning democracy. Whereas a donee-based Capital Transfer Tax reduces inequality solely by transferring property from the wealthy to the State, a donee-based tax acts as an incentive for the wider diffusion of property within the private sector: unlike CTT, with a donee-based tax the more widely a man spreads his wealth, the less the tax on it.

## A Draw

If neither party gains an absolute majority then Liberal proposals may come into their own. The Liberals advocate a wealth tax, but one which would completely replace the investment income surcharge, and be part of a package designed to reduce income-tax rates dramatically. The Liberals also specifically propose to replace CTT by a tax on gifts and legacies paid by the recipient. There might be enough common ground for a Lib-Lab pact to produce a wealth tax allied to substantial cuts in income-tax. Just conceivably a Lib-Con agreement might replace CTT by an inheritance tax.

\* The Taxation of Net Wealth, Capital Transfers and Gains of Individuals, OECD, 1976.

Cedric Sandford is Professor of Political Economy and Director of the Centre for Fiscal Studies, University of Bath.

## Letters to the Editor

### A Treasury dream

*From Dr. P. Cuff*  
Sir—Your readers may be interested in a copy of a speech found recently in the lavatory of an Oxford College more famous than the one to which it belongs. This speech, marked "to be delivered on Friday, May 4, 1979, and every five years thereafter," is too long to quote in full but I append a paraphrase—  
"Ladies and gentlemen, your votes have elected a new Government. You are entitled to know how it interprets your wishes. We believe first of all that you want less government... secondly you want government to control the disease of inflation that government itself generates... thirdly you want honest government...

Accordingly every member of HMG will put his money where otherwise his mouth would be. A new bond will be issued, and every Minister will, as a condition of employment, sell all his investments and put the entire proceeds into the new stock. In addition each Minister will be required to invest annually 1/10 of his (gross) salary in the new stock. No Minister may sell any stock before 1984 save—  
I apologise for the pun—in the event of death or resignation, and any Minister who attempts to evade his obligation to invest will be sacked. Finally, if the stock ever falls below its issue price, Ministers will permanently forfeit £1,000 of annual salary for every point fall. The new stock will be called Treasury Dream 1984.

With Treasury Dream '84 Ministers have the incentive to succeed. You should be given the opportunity to share in the benefits. So Treasury Dream will be open for public subscription until the end of the month. The amount on offer will be limited to my estimate of this year's CGBR which is... (gap in text). "After the end of the month no further funding will take place before April 1980, when the next, smaller tranche of the same stock will be issued. The days of debt stretching into the next century are over. The sooner the institutions realise this the cheaper will they purchase Treasury Dream. They will certainly appreciate the full implications of no more funding this year...

You all have the chance now to lend money to a Government that is itself personally at risk. You can be confident that Ministers, and their friends in the City, will ensure the lasting success of the issue...

Ladies and gentlemen, the Government's chief objective is mutual confidence and trust... At the end of the speech there is a pencilled minute: "Add point that interest payments will, of course, be tax-free (immoral for a borrower of clam back what he has agreed to pay). On price and coupon consult Carter via Jim's son-in-law and persuade him to make similar issue. If he were to agree we need pay no more than 5 per cent."

### Aircraft and government

*From Mr. J. Morrell*  
Sir—Ms. Hayman (Labour Party TV political broadcast, April 23) really should be more careful in her use of the Boeing Company to illustrate the benefits of long-term planning. Her point seems to be that private British aircraft manufacturers are obsessed by short-term profits, and that only a Socialist Government could and would ensure investment for the future, if necessary, at some short-term cost to profits. What palpable nonsense. The deserved success of Boeing was achieved by a private enterprise corporation. On the other hand Mr. Wedgwood Benn, as the Minister responsible, committed this country to following through the financially disastrous Concorde programme which is now being ignominiously terminated.

One is tempted to go one stage further and compare the value that American airlines deliver to their internal customers under competitive private enterprise with the nationalised airlines of Europe. The cost per mile flown is, in my experience, well under half and in the European equivalent. Of even greater interest is that the Civil Aeronautics Board, the Government Department which controlled the airlines, is currently in process of winding itself down—having done its job. American experience is in fact the strongest possible support for Mrs. Thatcher's view that government has become too big and has misinterpreted its proper role. In terms of both providing real long-term job opportunities and consumer satisfaction the American lesson is particularly clear, and we should perhaps be grateful to Ms. Hayman for making the point.

### Accountants differ

*From the Executive Director, Society of Company and Commercial Accountants.*  
Sir—The president of the Association of Certified Accountants has drawn attention (April 26) to the dominance of the major accountancy firms over the profession, and to the danger of Government intervention in its affairs. He suggests that there is an urgent need to redress the balance between the international giants and the smaller firms, and mentions, almost as an aside, accountants who are not in public practice. Some of us have always insisted that the distinction between the in-company accountant and the practising accountant and auditor was not recognised clearly enough within the structure of the profession, and have seen the two as constituting quite different professions. As between large and small practising firms there exists a similar gulf, and it may well be that there are three rather than two. A profession whose organisation manifestly fails to reflect the functions and responsibilities of its members is one which probably, for quite irrelevant

### Dividend vouchers

*From Mr. D. Senior*  
Sir—Like many an investor I have been engaged in listing dividends and tax credits for income tax purposes. As it happens, I also have to inform companies of such changes of address. The last year's dividend vouchers give most of the information I need for both purposes, but how time-consuming it is!  
All the vouchers give the same information about the dividend payable, the tax credit, the sequential number of the dividend, the payment date and the company registrar's address. The style of presentation however seems to be almost entirely a matter of whim. Again most companies give a reference number to be quoted in correspondence, but not all do so, and some like to change it from one voucher to the next. At the risk of being thought a kill-joy, may I suggest that it would save time and frustration if companies could be persuaded to adopt a common format, restricting the elegant variations to their titles and logos?

*David Senior, Festiniog House, 16, The Willows, Chesham Bois, Amersham, Bucks.*

### A Sheikh not in danger

*From the Ambassador of the United Arab Emirates*  
Sir—Your article of April 26 entitled "A Sheikh in Danger" was a sad example of irresponsible sensationalism which is quite out of line with the standards of journalism we have learned to associate with your paper. The dramatic picture painted in your columns of the United Arab Emirates in turmoil and, particularly, of a potential upheaval in the Emirate of Ras Al Khaimah, has no basis in truth whatsoever, and one can only assume very regrettably that innuendo, rumour and gossip has taken over from informed and detached reporting. I have no intention of refuting each and every distortion and fabrication that the article contained, many of which are tamed, many of which are thinly-disguised in your own words by vague references to "speculation," "local reports" and other tendentious attributions. I would like to simply assure your readers, who may have been led to believe otherwise by your article, that there is no "rebellion," active or dormant, in the United Arab Emirates. While differences may arise every now and then over details of policy (as is natural in a society where freedom of opinion and traditional values of individual expression prevail, and where widespread and

often open and heated discussion, finally leading to unhurried mutual persuasion, is the cherished method of tackling social and national problems), these differences certainly do not amount to anything approaching the theme of your article. Outsiders who scarcely appreciate the subtleties and nuances of traditional Arab exchanges, easily fall into the trap of quickly shouting "rebellion," "crisis" and even "revolution" at the slightest misunderstanding of internal friction. It cannot be more emphatically stressed that no ruler or citizen of the United Arab Emirates is less than fully committed to the idea of unity, and that the course of that union is steady and irreversible.

Incidentally, I would like to add that such developments as the reconstitution of the Cabinet cannot by any stretch of the imagination be construed as evidence of divisions and quarrels. The reorganisation of Ministerial posts is a routine and recurring feature in our political life, and is part of a continuing process aimed at providing the best possible combination of leadership of the lion of our political and civil administration. Mohamed M'hdi Al-Tajer, Embassy of the United Arab Emirates, 30, Princes Gate, SW7.

### The plan for Brasilia

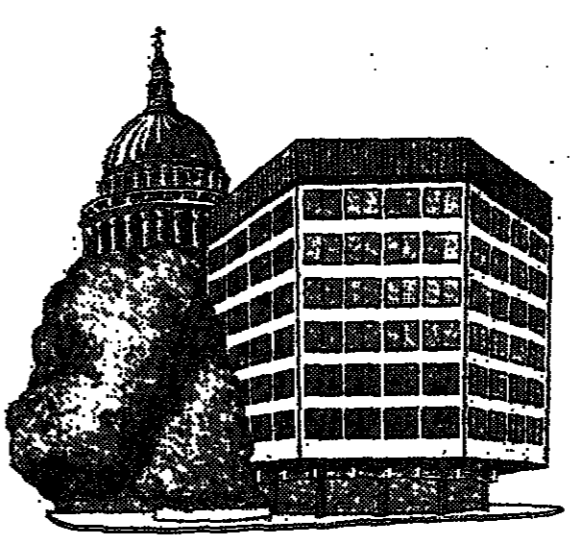
*From Mr. G. Gerovs*  
Sir—The plan for Brasilia was not made by Oscar Niemeyer, as implied by Hugh O'Shaughnessy (April 24) but by Lucio Costa, who was not a "Marxist-Leninist." It was the result of a competition, one of the assessors being the late Sir William Holford. Niemeyer was the architect of many of the major buildings, starting with the presidential palace, and also of some of the housing. That the aim of establishing the city during the five-year term of President Kubitschek was achieved, was a remarkable feat of determination and organisation. It is of interest that during this time Lucio Costa chose to follow the advice of the Italian renaissance architect Alberti to keep away from the works on site. This was to avoid practical matters relating to the construction interfering with the concept. He kept his office in Rio de Janeiro, and did not visit until the end of the Kubitschek term. In fact, many fertile ideas in his plan were lost, including one for land shareholding within the superquadras. These were squares of land, mainly for residential use, without through traffic routes. Costa had envisaged a process of evolution within these squares in which housing plots would later be used for multi-storey development. The mechanism of land shareholding was to have been introduced to avoid some of the problems of speculative city development, common to Brazilian cities. To equate the problems in the plan for Brasilia with those of doctrinaire Left-wing thinking is an inaccurate and unfortunate hindsight. Guy Gerovs, 126, de Beauvoir Road, N1.

## Today's Events

**GENERAL**  
UK: Official opening by Prince Charles of the first stage of London Transport's Underground Jubilee Line from Charing Cross to Green Park.  
Prime Minister is Jimmy Young's guest on BBC Radio 2.  
Mr. William Whiteley, Tory Party deputy leader, on Robin Day election phone-in, BBC Radio 4.  
World in Action (ITV) election special interview with party leaders and 500 electors.  
Amalgamated Union of Engineering Workers' conference, Winter Gardens, Eastbourne.  
Electrical, Electronic, Telecommunications and Plumbing Union conference, Conference Centre, Brighton.  
Union of Shop, Distributive and Allied Workers' conference, Congress Theatre, Eastbourne.  
Sir Derek Ezra, National Coal Board chairman, speaks at Coal Industry Society's 50th anniversary dinner, London.  
Parking meter charges in the City of London rise 50 per cent to 30p an hour.  
Overseas: Mr. M. Ohira, Japanese Prime Minister, arrives in Washington for talks with President Carter.

Herr Helmut Schmidt, West German Chancellor, meets Prime Minister Gaston Thorn in Luxembourg.  
Japanese trade mission arrives in Amsterdam at start of European tour.  
Sr. Adolfo Suarez, Spanish Premier, starts two-day official tour of Algeria.  
**COMPANY RESULTS**  
Final dividends: British Home Stores, Canadian and Foreign Investment Trust, City Hotels Group, Comfort Hotels International, Hunting Associated

Industries, John Laing, Tootal, Interim dividends: Wellco Holdings.  
**COMPANY MEETINGS**  
See Financial Diary on page 36.  
**LUNCHTIME MUSIC**  
Piano recital by Geoffrey de Sarah at St. Lawrence Jewry, next-Guildhall, Gresham Street, 1 pm. Organ recital by Philip Berg at St. Michael's, Cornhill, 1 pm.  
**EXHIBITIONS**  
Bristol Boat Show opens (until May 6).  
Offshore technology conference and exhibition opens in Houston, Texas (until May 3).



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UK COMPANY NEWS

Consortium defends its tactics in SUTTS-Lonrho battle

Another broadside was fired yesterday in the battle for control of Scottish and Universal Investments, currently under a £60m offer from Lonrho.

A joint statement issued by Mr. Bruce Fireman of Charterhouse Japhet, financial advisers to SUTTS, and Mr. George Willett of Grievson Grant, the company's stockbrokers, hits out at Mr. "Tiny" Rowland's claim that the consortium offer to buy out Sir Hugh Fraser's family trusts' 9 per cent stake in SUTTS at 200p a share is wrong.

The joint statement says that "anyone who believes an offer is too low is free to buy shares in an offshore company at any price he likes to assist the company to stay independent or to simulate a higher offer."

Mr. Fireman said yesterday that the move to acquire the Fraser trusts' holdings was "not to foil the Lonrho bid but to help protect the vast majority of individual shareholders who do not want to accept the present bid. Lonrho wants SUTTS to accept it will raise the price."

Mr. Willett said that "if it is argued that Lonrho's general offer will only succeed if the trustees (of the Fraser trusts) accept it in respect of their 9 per cent holding then it follows, as night follows day, that the vast majority of all other independent shareholders of SUTTS, who represent 61 per cent of the equity, are against Lonrho."

he was not against a Lonrho bid in principle but was reluctant to settle at the current offer.

On Friday, a syndicate of eight institutions, organised by Charterhouse, offered the family trusts 195p per share and then 200p a share—both offers above the general Lonrho offer. But the trusts have indicated acceptance of the Lonrho bid worth 194p a share consisting of one Lonrho share plus 115p in cash.

The first offer, rejected by the family trusts, was approved by the Take-over Panel, and Charterhouse expects Panel approval for the second 200p offer, which is also likely to be approved.

John Baker (Insulation) placing

Dealings start tomorrow in the latest company to make use of the Stock Exchange's unlisted securities market, John Baker (Insulation), which is a leading UK specialist in cavity wall and roof insulation has arranged a placing with the aid of Talsman Portfolio Management of £200,000 in 200,000 ordinary shares at £1.15 each raising £230,000 net.

A further 60,000 shares, allotted in consideration for the acquisition of the freehold of the company's head office have

also been placed. The placing has been with about 150 individuals.

The directors will hold some 17 per cent of the deferred shares and chairman Mr. J. C. Baker, who founded the company in 1972, holds a further 350,000 deferred shares. These can be converted into preferred ordinary on the payment of 90p outstanding per share.

Financier, Mr. John Bentley holds about 4 per cent of the preferred shares and is a non-executive director acting in a "consultative" capacity.

In 1974 the company made a pre-tax profit of £36,222. The following three years were periods of losses and in 1978 there was a minimal £3,578 profit. The directors are looking for profits this year of not less than £50,000. They also forecast a final dividend of 9p per share, or 12p for a full year.

FT Share Information

The following service has been added to the Share Information Service appearing in the Financial Times: Robert Mines (Section: Mines—Miscellaneous).

GA chief attacks dividend policy

AN ATTACK on current restrictions on dividend increases is made by Mr. Harvey Stuart Black, retiring chairman of General Accident Fire and Life Assurance Corporation, in his statement with the 1978 report and accounts.

Although the company's earnings per share increased by 24 per cent last year to 36.3p, it still did not provide the necessary cover for a dividend increase of more than 10 per cent, because it failed to exceed the exceptionally high cover of 1973. This, says Mr. Black, highlights the anomalies and inappropriate nature of the current limitations on dividend policy.

As already reported the group made an underwriting profit in the U.S. for the first time since 1973 amounting to £4.9m and reduced the loss in the UK by half to £2.2m—leaving a small surplus on the world-wide underwriting result amounting to a marginal 0.2 per cent of premiums.

But the solvency margin at the end of 1978 fell from 61 per cent to 53 per cent, reflecting mainly the fall in value of the U.S. dollar and the effect of increasing interest rates on the market value of U.S. bonds in the portfolio.

The company, the largest motor insurers in the UK, incurred a loss in 1978 on its UK motor account. Mr. Black says that claims were more frequent last year quite apart from those resulting from the bad weather in the first and fourth quarters.

He refers to the latest increase in motor premium rates of 13 per cent from February 1, 1979, and warns that whether these rates can be held for a year depends on the trend of inflation.

The UK householder account continues to present the greatest underwriting problems and Mr. Black points out that there is still a large measure of underinsurance. The company has been forced to increase its rates for contents, which have stood unchanged for more than 50 years.

Looking to the current year, Mr. Black hopes for further progress backed by the benefit of increasing investment income, but such growth will probably be at a lesser rate than that achieved in 1978.

Mr. Black, retires after the AGM on May 23 to be succeeded by Mr. Gordon R. Simpson.

General Accident remains optimistic for 1979 and expects to hold last year's underwriting improvements despite the severe winters in the UK and the US. It is looking for a modest underwriting profit from America, and indications are that the first

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the sub-divisions shown below are based mainly on last year's timetable.

Table with columns: Company Name, Meeting Date, Notes. Includes: Intermine-Welchco, Finlay-British Home Stores, Conslan and Foreign Investment Trust, City Hotels, Comfort Hotels (International), Charles Hill of Bristol, Hong Kong Associated Industries, John Laing, M. Moir, Scottish Maritime Trust, Tootal.

FUTURE DATES

Table with columns: Company Name, Meeting Date. Includes: Intermine, Brookhouse and Tipton, Finlay, Allied Plant, Allitons, Garrow Hepburn, Bunzl Pulp, Central and Sheerwood, Guardian Investment Trust, Holt Lloyd, Minny, Sandhurst Motors.

Silhouette finishes up at £356,623

A lower second half deficit of £74,000 against £121,000 left Silhouette (London), foundation garments, swimwear manufacturer, with taxable profits ahead at £356,623 for 1978 compared with a previous £800,617.

At halfway the directors reported profits up from £221,617 to £430,623 on sales of £8.94m (£7.92m) and said that the second half should continue to show increasing sales, but the pressure on margins remained severe. Sales for the full period finished at £16.49m (£13.45m).

The directors now say that sales for the first quarter of the current year are similar to last year, but that the pattern of trade has been badly affected by the weather.

Earnings of 8.9p per 20p share against 10.19p are stated and the dividend is increased from 3.267p to 3.3165p net per share with a final payment of 2.5735p.

Babcock & Wilcox to increase capital spending this year

Babcock and Wilcox, the engineering and contracting combine, was committed to capital expenditure of £43.5m at the end of 1978, compared with £27.9m, 13 months earlier. Of those amounts £36.5m compared with £25.42m had been sanctioned.

Expenditure in 1979 on new plant and facilities totalled £19.7m of which £7.8m was incurred in the UK. In addition capital spending on new businesses and investments was £2m.

The net liquid position of the group has changed from a positive £5.8m at the end of 1977 to a negative £8.2m at December 31, 1978. The £14m outflow was used to finance additional working capital resulting from increased overseas activity in the UK contracting companies, and the PATA group of Accounts.

Aggregate borrowings, however, declined from £88.4m to £82.1m including a movement from £50.1m to £28.6m in term loans. Of the £21.5m decrease, £17m resulted from conversions of the 7 per cent bonds into paid up capital.

Sir John King, chairman, says that it is indicative of the success of this issue that since April 17, 1978 bonds to the value of \$33.69m out of the total of \$33m were converted resulting in the issue of 15.66m Babcock ordinary shares. This has significantly strengthened the group's capital structure.

As reported on April 12 group profit before tax increased from £32.26m to £38.56m. Meeting, 116, Pall Mall, SW, May 25, at 12.30 p.m.

FINE ART

The directors of Fine Art Developments propose that certain of the borrowing and charging restrictions in the trust deed constituting the stock should be relaxed. It is not, however, proposed to increase the aggregate amount which the company may borrow overall.

In consideration for the relaxation...

tion of these restrictions, certain subsidiaries will guarantee the stock and the interest rate will be increased by one-half per cent to 8 1/2 per annum with effect from April 1, 1979.

Sun Life funds over £1bn mark

TOTAL FUNDS of the Sun Life Assurance Society passed the £1bn mark in 1978, reaching £1,010bn by the end of the year. Long-term funds rose by £132m to £887m, following advances of 21 per cent in premium income, to £163m, and in investment income, to £51m.

Mr. P. G. Walker, the chairman, reports that the society invested most of its new money in fixed interest security to take advantage of the high interest rates available. Some £51m was invested in this sector, compared with only £10m invested in equities. But he expects a high proportion of new money this year to be put in the equity market.

In a reference to reversionary bonus rates, Mr. Walker warns that despite record levels being declared, long-term savings by life assurance are being inhibited by paying out the policy proceeds in a grossly depreciated currency. Policyholders would get a better real rate of return with lower levels of interest and inflation, even if this implied reductions in the bonus levels, he says.

Antony Gibbs declines

Disclosed group profit after tax of Antony Gibbs Holdings, the banker and timber product manufacturer, fell from £395,000

to £125,000 in 1978. But associate profits — up from £120,000 to £282,000 — took the net attributable surplus to £407,000, compared with £455,000.

The directors say that banking conditions were less favourable last year and the strong hit earnings from insurance broking in North America. They are looking for an improvement on the 1978 profits this year.

The dividend is pegged at 2.1963p with a final of 1.4812p. There is an extraordinary credit of £104,000 (£805,000).

At March 31, 1978, Hongkong and Shanghai Banking Corporation held 40 per cent of the ordinary shares.

Alfred Herbert in stronger position

Alfred Herbert, the National Enterprise Board's machine tool subsidiary, is "in a far stronger position than it has been for many years," Sir John Buckley, chairman, says in the company's annual report.

While he is not able to make a forecast for 1979, Sir John says, the company's position has been strengthened by drastic action being taken in major problem areas.

Last year, the company incurred a net loss of £7.36m against a £242,000 profit in 1977. Sir John says: "It is evident that 1978 was a year of many changes, all needed, although some were painful. It should also be seen as the point of completion of a three-year process of change and adaptation to the harsh realities of the world machine tool market, which has involved reduction of capacity, changes of product ranges and sales methods, and substantial capital expenditure on improved facilities and machines."

Laird opens with major orders

SIR IAN MORROW, chairman of the Laird Group says that already major orders have been won in the opening months of 1979 and, in particular, orders worth almost £100m have been secured for rapid transit trains.

These comprise a further order for the mass transit railway system in Hong Kong and a new contract to supply rolling stock for the Kowloon and Canton railway. Among other large orders taken this is the second order for which the group's welding interests have received for a steel works flash welder and this has a selling price of over £1m, says Sir Ian.

In 1978 group pre-tax profits rose from £9.1m to a record £11.1m. The increase came not only from the UK but also from the group's overseas manufacturing interests, which continued to account for over 40 per cent of group profits.

The main improvement came in the metal industries division (profits were up from £241,000

to £1.88m) where there was a substantial recovery in profits from steel, and in transport engineering (profits up from £3.78m to £5.04m) where the value of deliveries of rapid transit trains increased sharply. Motor components and other engineering fell back slightly from £5.72m to £5.66m.

The loss by the shiprepairing division increased from £0.63m to £1.96m. This was due largely to the effect of the shiprepairing recession and one of the subsidiaries, Western Shiprepairers of Merseyside, which was affected by the fall in oil tanker repair work, was placed on a care and maintenance basis in the middle of the year. The chairman says that following this rationalisation, the shiprepairing losses were reduced to minimal proportions during the latter months of 1978.

The chairman points out that in the steel works a major investment programme costing over £10m was carried out with the installation of electric arc

furnaces. Without this change the metal industries division would have made a substantial loss in 1978.

Meeting, Quaglin's, S.W., June 4 at noon.

Sunlight rises to record £1m

As expected, taxable profits of Sunlight Service Group, laundries, dry cleaning concern, moved ahead in 1978 and finished at a record £1.07m against a previous £813,878. Turnover was up from £12.45m to £15.11m.

Tax for 1978 took £548,783 (£375,409) after which earnings per 10p share are shown as 5.13p against 4.33p.

The directors to Treasury consent the dividend is stepped up to 1.9413p (1.14148p) net with a final of 0.9437p.

comment

General Accident remains optimistic for 1979 and expects to hold last year's underwriting improvements despite the severe winters in the UK and the US. It is looking for a modest underwriting profit from America, and indications are that the first

Portals' worthwhile increase in 1978 profits

Mr. John V. Sheffield will be retiring from the board of Portals Holdings Limited at the Annual General Meeting in May after thirty years as a director, the last ten as Chairman.

Profits before tax in 1978 rose by 10% and sales by 7%. The increase in the capital base arising from the conversion of the loan stock restricted the increase in earnings per share to 4%.

Business generated abroad, taking into account direct and indirect exports together with the turnover of overseas subsidiaries, accounts for some 63% of group turnover.

The Banknote and Security Paper Division maintained sales and profits in 1978's highly competitive conditions and the current year should see a small increase in production and sales tonnage. The big capital projects at Overton Mill are broadly on course.

The Water Treatment and Engineering Division is reaping the rewards of past investment in people and products. For the second year running it made a very satisfactory advance in its many markets, some of which have been far from buoyant.

Table: Profit before taxation (Year to 31st December) 1978 £9.6m, 1977 £8.7m, 1976 £6.8m, 1975 £5.4m, 1974 £4.3m, 1973 £3.9m, 1972 £3.3m, 1971 £2.7m, 1970 £2.4m, 1969 £2.0m

Table: Profit before taxation attributable to principal activities of the Group 1978 1977, Bank Note and Security Paper, Water Treatment and Engineering, Property, Less central costs and interest, Basic Earnings per share, Ordinary dividend

The current year will obviously be difficult but we have been developing new markets, expanding and improving our product range and we have a management team stronger than ever before. We believe we shall continue to show progress in both sales and profits.

Portals Holdings Limited. Water Treatment and Engineering, Bank Note and Security Paper. Copies of the 1978 Report and Accounts are available from The Secretary, Laverstoke Mill, Whitechurch, Hants RG28 7N.

SIMCO MONEY FUNDS. Saturn Investment Management Co. Ltd. 66 CANNON STREET LONDON E1C 6AE. Telephone: 01-236 1425. Rates paid for W/E 29.4.79. Call 7 day % p.a. 7 day % p.a.

McKechnie Brothers INTERIM RESULTS—UNAUDITED. Half-year ended 31st January 1979, Year ended 31st July 1978, Audited 1978. Sales, Operating Profit, Share of Associated Companies Profits, Net Profit, Ordinary Dividend, Earnings per Ordinary Share.

McKechnie Brothers Limited. Progress was made in all areas. In the U.K. a satisfactory result was achieved despite adverse effects of the haulage strike and bad weather. In South Africa the economy continues its advance and profits improved. A similar encouraging situation prevailed in Australasia. Our second half started well and despite the uncertainties of a General Election we expect to report full year profits ahead of last year.

The Election is getting closer! The party returning the greater number of seats to Parliament. To win and have no Overall Majority 2/5 Conservative 7/1 Labour 6/1 Conservative 5/1 Labour. Better bet Coral. CORAL RACING. A Division of the Coral Leisure Group.

LOCAL AUTHORITY BOND TABLE. Authority (telephone number in parentheses), Annual Interest gross pay-able, Minimum of £, Life of bond. Includes Knowsley, Poole, Poole, Redbridge, Redbridge, Wrekin.

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INTL. COMPANIES and FINANCE

Resignation of chairman at Alsthom-Atlantique

BY DAVID WHITE IN PARIS

A POLICY clash over the shipbuilding activities of Alsthom-Atlantique, the big French engineering group, has led to the resignation of its Chairman, M. Pierre Luygue...

cent higher than in 1977, the first full year of activity after the merger. The dividend is being maintained at a net FFr 6.

M. Ambrose Roux, recently expressed concern over the losses of the shipbuilding sector, which makes up a quarter of Alsthom-Atlantique's business.

Crisis at Denmark's computer group

By Hilary Barnes in Copenhagen

REGNECENTRALEN, Denmark's only domestically owned manufacturer of computers, announced on Friday that it has suspended payments to creditors and given notice to all its 1,050 employees in Denmark.

The company had a turnover in the year to end March 1978 of about Dkr 400m (£75.6m), and pre-tax profits of Dkr 12m (£2.26m).

The group, which specialises in small computers, has never received assistance from the Danish Government, unlike its competitors in most European countries.

Saudi contract will boost Ballast-Nedam

By Our Amsterdam Correspondent

BALLAST-NEDAM, the Dutch construction group, expects a further rise in profits in 1979 on top of sharply higher turnover. This will be largely due to the completion of part of a Ft 4.7bn (£2.3bn) housing project in Saudi Arabia...

The company expects to win further Middle East orders this year. Profits and turnover in Holland will be adversely affected by the recent severe winter weather but prospects for all divisions are reasonable.

Investment is expected to fall to about Ft 45m, (£22m) this year after rising by 55 per cent to Ft 110m in 1978. Despite the fact that investment spending will be lower than cash flow, Ballast-Nedam expects a further strengthening of its assets is needed, it said in its annual report.

Net profit rose 37 per cent to Ft 24.1m in 1978 on 50 per cent higher turnover of Ft 1.76bn.

Nedlloyd outlook poor as dividend is cut

By Charles Batchelor in Amsterdam

A FURTHER worsening of the results of the Nedlloyd group, Holland's largest shipping line, is expected in 1979. The company faces continued tough competition on most of its scheduled routes from non-Comeecon countries.

The losses due to the delayed delivery of the container vessel Nedlloyd Hoorn, are put at Ft 30m. The company is seeking compensation from Rijn-Schelde-Vereeniging for this ship and for the late delivery of another vessel.

McKenzie and Sarlos, a Toronto firm of investment counsellors, said it has sent a letter to Mr. J. H. More, the chairman of Brascan, with the criticism and a call for a meeting between Brascan shareholders and management to explain the Brascan move.

Mr. Barry Zuckerman, a vice-president and partner in the investment firm, said that McKenzie and Sarlos is acting on behalf of a group of client shareholders with total holdings of about 700,000 shares, or about 2.5 per cent of outstanding shares.

These holdings are dominated by a single block of about 600,000 shares held by interests representing Mr. Max Tannenbaum, president of York Steel Construction, Toronto, and another block of about 100,000 shares held by HCI Holdings in which Mr. Zuckerman, along with Mr. John McKenzie and Mr. Andrew Sarlos are directors.

It is understood that foreign investors are interested in taking part in the reconstruction of the company.

The company now has five months in which to clarify its future, but Mr. Sandberg said he hoped this could be achieved much more quickly.

Brascan Board attacked

TORONTO — Another block of Brascan shareholders is criticising the company's proposed bid to acquire F. W. Woolworth.

McKenzie and Sarlos, a Toronto firm of investment counsellors, said it has sent a letter to Mr. J. H. More, the chairman of Brascan, with the criticism and a call for a meeting between Brascan shareholders and management to explain the Brascan move.

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CURRENCIES, MONEY and GOLD

Inflation and the EMS

BY COLIN MILLHAM

The U.S. was not the only major country to publish consumer price index last week, although of all inflation indicators none was awaited with more interest than the figures from Washington.

A rise of 1 per cent in U.S. consumer prices was in line with the expectations of the foreign exchange market, and the dollar showed a little reaction to the announcement.

Japan's March consumer prices rose 0.8 per cent, giving a year on year increase of 2.3 per cent, against 2.4 per cent in February. Figures issued by the EEC on Friday, indicated a 12-month rise in the Common Market consumer prices of 8.4 per cent, the highest for 15 months.

The rise in consumer prices in Belgium and Denmark made an interesting comparison. The April increase of 0.24 per cent in Belgium confirmed the steeper trend seen lately in inflation, which is now running at an annual rate of 3.8 per cent, compared with 3.7 per cent in March. Denmark's consumer price index for March rose 0.8 per cent, to give an annual inflation rate of 7 per cent.

The French franc was around the middle of the EMS, with the guilder vied with the D-mark for second to last place ahead of only the Belgian franc.

Societe General, Belgium's largest bank, said last week that it expects healthy economic growth in the country this year, and suggested that interest rates need not be tightened excessively, despite the weakness of the Belgian franc.

The relative strengths of the franc and Danish krone are very much a reflection of Copenhagen's much higher inflation rates than Brussels.

Interest rates were steady in Europe last week, particularly in the pound market.

Other markets: Argentina peso... 2461.2481; Australia dollar... 1.8600; Brazil cruzeiro... 48.90; Canada... 2.2800; Denmark... 4.80; France... 6.5656; Germany... 74.794; Greece... 348.24; Hong Kong dollar... 10.41; India... 194.192; Italy... 1.94; Kuwait dinar... 0.564; Luxembourg franc... 61.85; Netherlands... 2.20; New Zealand dir... 1.9655; Saudi Arab. riyal... 8.66; Singapore dollar... 4.32; South Africa rand... 1.7825; Switzerland... 2.50; Taiwan... 40.33; Thailand... 50.33; Yugoslavia... 481.44.

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CURRENCY RATES table with columns for currency, rate, and date.

THE DOLLAR SPOT AND FORWARD table with columns for currency, spot, and forward rates.

THE POUND SPOT AND FORWARD table with columns for currency, spot, and forward rates.

OTHER MARKETS table with columns for currency, rate, and date.

EXCHANGE CROSS RATES table with columns for currency, rate, and date.

LONDON MONEY RATES table with columns for rate, term, and date.

MONEY RATES NEW YORK table with columns for rate, term, and date.

MONEY RATES GERMANY table with columns for rate, term, and date.

PENDING DIVIDENDS RECENT ISSUES

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table.

PENDING DIVIDENDS table with columns for company name, date, amount, and type of dividend.

RECENT ISSUES table with columns for stock name, price, and date.

FIXED INTEREST STOCKS table with columns for stock name, rate, and price.

"RIGHTS" OFFERS table with columns for stock name, price, and terms.

BASE LENDING RATES

BASE LENDING RATES table listing various banks and their interest rates.

Renunciation date usually last day for dealing line of stamp duty. Figures based on prospectus estimates. A assumed dividend and yield. A forecast dividend: cover based on previous year's earnings. B dividend and yield based on prospectus or other official estimates for 1978. Q Gross. Y figures assumed.

CLIVE INVESTMENTS LIMITED table with columns for investment name, value, and date.

ALLEN HARVEY & ROSS INVESTMENT MANAGEMENT LTD. table with columns for investment name, value, and date.

I.G. Index Limited table with columns for investment name, value, and date.

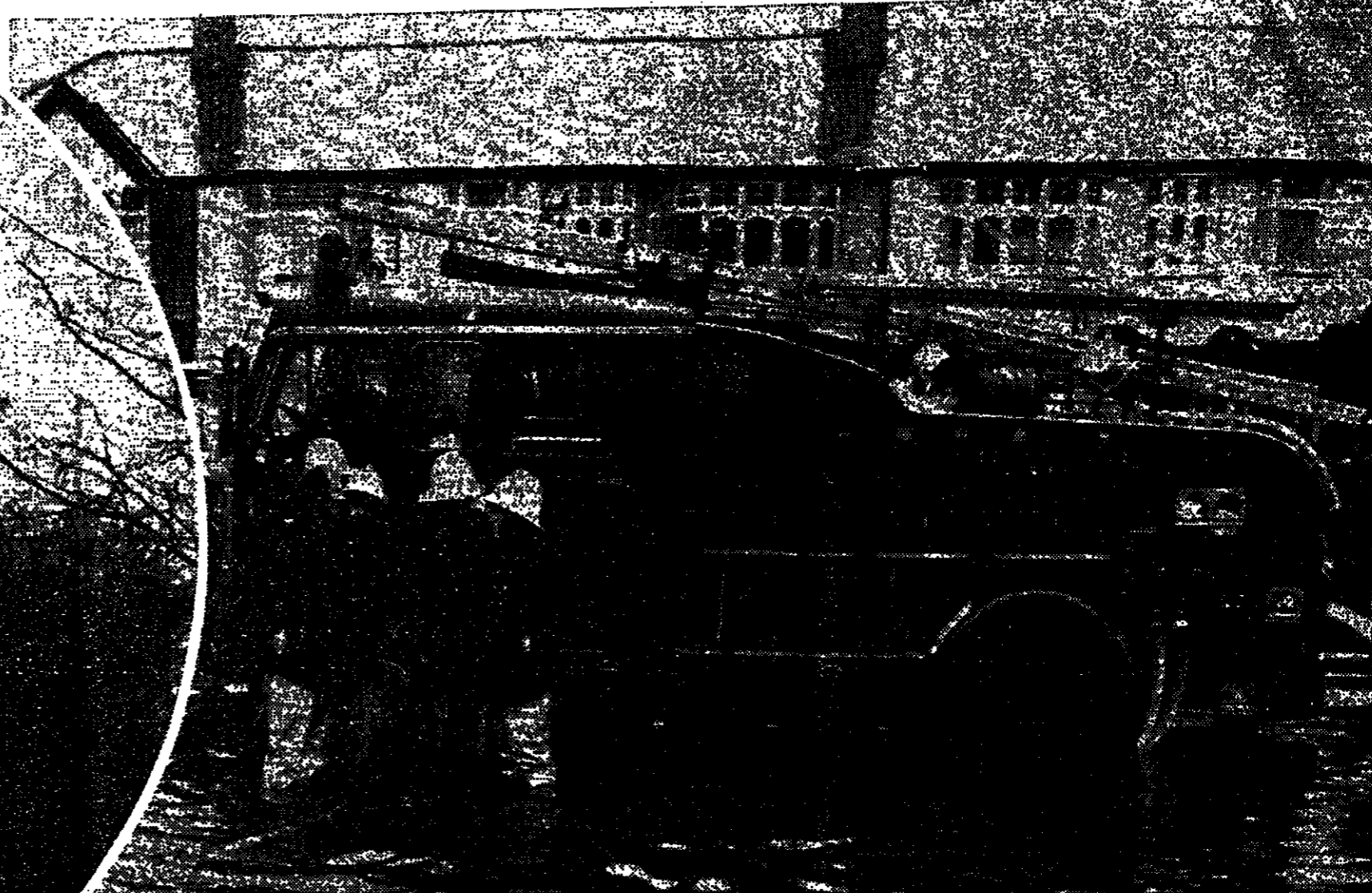
Public Works Loans Board rates table with columns for loan type, rate, and term.

BPC in 1978

The facts behind the figures. The Chairman, Peter Robinson, comments: Trading Profits: An increase for the year of 19% and 74% over the last two years. Dividend: Recommended increase to 3.5p (1977 - 3.18p). Prospects: The 1978 results show the underlying strength of the Corporation. We have the people and the skill to ensure a successful future.

Summary of financial performance table with columns for sales, trading profits, printing, packaging, publishing, etc.

Copies of the Annual Report and Accounts and a new brochure about the Corporation can be obtained from the Secretary, The British Printing Corporation Ltd., Print House, 44 Great Queen Street, London WC2B 5AS.



# While others were assessing the damage, we were paying for it.

On the morning of January 11th 1978, you might have been forgiven for mistaking the streets of Sheerness for Amsterdam or Venice.

After a night of near hurricane force winds and waves as high as houses, the East Kent coastline was, quite simply, blown to bits.

In the light of this thirty mile trail of devastation, it became clear to us at Commercial Union that there was only one way we could be of real help.

Not with tea and sympathy. Or vague promises of compensation.

But rather, by agreeing to claims immediately. On the spot.

Now, it's not every day you'll find us popping in on policy holders, with a view to popping a cheque in the post.

After all, like any other insurance company, every claim we deal with involves certain formalities.

There are details to be noted down. Policies to be checked

out. Assessments to be made. And so on.

A process that can take anything from five minutes to five months. Or even longer.

Speaking for ourselves, we prefer to simplify the paperwork, for the sake of a speedy settlement.

Which is precisely how we coped with the mopping up of East Kent.

On January 12th, with the storm damage barely a day old, we set up an emergency claims centre in Canterbury.

Within two working days we had our own team of claims inspectors out and about on the waterways, personally totting up the cost of repairs.

In all, we paid out £115,000 from just one branch, to more than 400 policy holders.

So they could start rebuilding their lives, while others were still getting estimates.

**We won't make a drama out of a crisis.**



ASSURANCE

هكزمن العويل

ALL ST  
YORK



INSURANCE

APPOINTMENTS

WORLD STOCK MARKETS

BIA disquiet at Law Commission report

BY OUR INSURANCE CORRESPONDENT

ALMOST A YEAR AGO the Lord Chancellor asked the Law Commission to look at certain aspects of insurance law...

Tom Frost heads National Bank of North America

Mr. Tom Frost has been appointed a director and chairman of the NATIONAL BANK OF NORTH AMERICA...



Mr. Tom Frost

Mr. Michael Pilch, a director of Noble Lowndes and Partners, has taken over from Mr. Ken Smith as chairman of the NATIONAL ASSOCIATION OF PENSION FUNDS...

Mr. R. M. A. Jones, has been appointed to the Board of PYE HOLDINGS. Mr. Jones returned to the University of Cambridge...

Mr. Frank L. Stevens has been appointed vice-president and general manager of CANADA LIFE ASSURANCE COMPANY in the UK and Ireland...

Mr. Dennis Weatherstone has been elected chairman of the MORGAN GUARANTY LTD. Mr. Weatherstone, who was executive vice-president and treasurer of Morgan Guaranty Trust Company from April 1977 to December 1978...

chairman of the Board at J. P. Morgan and Co. Incorporated, the bank holding company, and of Morgan Guaranty Trust Company of New York. The new concern is a London-based unit of the parent Morgan Guaranty International Finance Corporation.

Mr. W. E. N. Kingston has retired as a director of BORDER BREWERIES (WREXHAM).

TEL AVIV

Table of company appointments and price changes in Tel Aviv, including Bank Leumi, Bank Hapoalim, and others.

Indices

Table of stock indices for New York, Montreal, and Johannesburg, showing high, low, and change values.

EUROPE

Table of European stock markets including Amsterdam, Brussels/Luxembourg, Copenhagen, Vienna, and Germany.

Table of international stock markets including Australia, Belgium, Denmark, France, Germany, Holland, Hong Kong, Japan, and Singapore.

Table of European stock markets including Spain, Stockholm, and Tokyo.

WALL STREET

Large table of Wall Street stock prices, organized by sector and company name, with columns for high, low, and stock price.

CANADA

Table of Canadian stock prices, including companies like Woodworth, Xerox, and others.

BRAZIL

Table of Brazilian stock prices, including companies like Amalgamated Rubber, Cia. Saneamento, and others.

NOTES: Overseas prices exclude S premium. Belgian dividends are after withholding tax of 50 percent unless otherwise stated.

INTERNATIONAL CAPITAL MARKETS

BY NICHOLAS COLCHESTER

INTERNATIONAL BONDS

Enter the drop-lock floater

AS DOUBTS MOUNTED whether the Fed could avoid nudging U.S. interest rates higher, the convertible floating rate note came to Europe last week. Invented by Blyth Eastman Dillon in the U.S. in mid-April, this instrument allows the investor to convert into a fixed rate bond if he perceives interest rates to be moving down. On Friday an automated version appeared, christened the "drop lock bond" by its designers Credit Suisse First Boston.

half a point higher (on an annual basis)—perhaps the U.S. market is choosier. TVO Power of Finland is pioneering the "drop-lock" bond. It is raising \$30m for 12 years. The interest rate is 1 per cent over six month Libor but if Libor drops to 8 per cent at any payment date, the bond changes, pumpkin-like, into a 9 per cent straight bond. A purchase fund of \$1m a year for the first three years after transformation, then comes into play.

U.S. rates made the week an uncomfortable one for more conventional forms of long-term dollar finance. The rise in U.S. money supply and the upsurge in Treasury Bill rates made sure that this sector ended the week on an unhappy note. Nevertheless the issuing houses soldiered on, mainly with unspectacular results.

CSFB managed to raise 20 year money for Hydro Quebec at a yield of 10.12 per cent, but this was plainly problematic and the bond was below 97 at the end of the week after having been priced at 99.

Orion Bank's 10-year bond for Canadian Pacific carried a lean-looking coupon of 9 per cent, especially when the newest EIB issue of the same maturity was quoted in the market at 98 after having been issued at par with a coupon of 9 per cent. Issuers and dealers must be talking to different people, one trader said.

Following issues in the U.S. by three American banks, Manufacturers Hanover announced a convertible FRN on both sides of the Atlantic to raise \$100m for 30 years at home and \$100m for 15 years in the Eurobond market. The international tranche will for the first seven years carry interest of 1 per cent above three-month Libor and will be convertible on each payment date into an 8 per cent straight bond.

There are two plus points for the borrower here—particularly an industrial company. It knows that it will get fixed rate finance as soon as the floating rate move down to a level it can live with in the long term. In the meantime it has floating rate finance without the prospect of refinancing costs.

Two new fixed rate dollar bonds were announced on Friday. Societe Generale de Banque had to advise Genstar, a Canadian property and building materials company, that in spite of Canadian Pacific's example, a coupon of 10 per cent for 10 years was now necessary. Sogen considered these terms "not generous but realistic."

It seems that some support from Belgian funds is likely as an estimated \$100m worth of Genstar equity is already in Belgian hands. The other bond tranche of Government financing scheduled for early this week.

Hill Samuel pointed out that although the yield differential between the Deutsche Mark and dollar paper has narrowed by over 1 per cent since the Carter package, this process has further to go. As foreign interest has dwindled, German foreign bond yields have moved towards the domestic yield level. Yet they must really rise above this before the domestic investor provides support.

CURRENT INTERNATIONAL BOND ISSUES

Table with columns: Borrowers, Amount, Maturity, Av. life, Coupon, Price, Lead manager, Offer yield. Includes sections for U.S. DOLLARS, D-MARKS, CANADIAN DOLLARS, SWISS FRANCS, FRENCH FRANCS, KUWAITI DINARS, and UNITS OF ACCOUNT.

INTERNATIONAL EQUITIES

Placing equity in the Middle East

U.S. AND European brokerage and investment banking concerns have long sought to tap Middle East wealth directly for offerings of Western corporate equities, aiming for the day when the placement of such shares was as routine in Kuwait or Riyadh as in London and New York.

markets since then has been downward, particularly in the wake of the declining dollar. For the Eurobond market as well, offerings of corporate debt in recent years have not been as well received in the Middle East as governmental or multinational agencies' credits.

and its Beirut-based affiliate, Schroder and Company S.A.L. Other participants included the Amsterdam-Rotterdam Bank and Abu Dhabi Investment Company. The Sarakreek placement had special features. The whole of the \$38m raised is to be invested in developed commercial U.S. real estate.

What some brokerage concerns are now banking on is a weaning of Arab investors away from real estate to a more sophisticated investment approach.

Some even foresaw the time when the Mid-East would automatically absorb a chunk of an equity offering or any well known European of U.S. corporation. By 1976, those targets seemed credible. That year, Mid-East investment in U.S. stocks reached a peak of \$1.8bn.

in recent weeks, however, a large placement of Dutch shares has proved popular in the Arab world, a tentative sign that the area may display greater interest in direct Western equity operations in future.

Western investment bankers say that there is more willingness in the Gulf nowadays to consider an enlarged foreign content of property, shares and other investments in portfolios than at any other time in recent years.

The huge scale of infrastructure development in the past five years, has disbursed wealth much more widely in the Arab economies, as shown by the mushrooming of private companies and agencies. In Western terms, the equivalent of an Arab middle class is developing fast, with obvious implications for private investment flows.

proved to have represented official cash and few Arab government institutions wish to build up common stock holdings in their overall portfolios beyond fairly low levels. So the Arab investment trend in U.S.

The placing was arranged by several banks, including London merchant bankers J. Henry Schroder Wagg and Company

worth \$130m for Continental Illinois Properties, a real estate investment trust associated with Continental Illinois Bank, is

believed to have been on behalf of a group of Arab investors.

BY JOHN EVANS

U.S. BONDS

Testing time for the Fed brakes

THE FED'S decision to tighten credit on Friday capped a week that already rated as one of the most eventful in the bond market this year.

Trading began with a growing conviction that the Fed had not, after all, decided to increase interest rates at its latest meeting on April 16. But this had a mixed effect on the market.

Short term rates dipped sharply, and by Wednesday three month Treasury bills were down from 9.20 per cent to 8.90 per cent.

or an annualised 13 per cent. And a few hours later, the money supply figures showed large increases in both M1 and M2. Combined, the two announcements were more than enough to depress an already apprehensive market, and prices plunged sharply.

Short term rates dipped sharply, and by Wednesday three month Treasury bills were down from 9.20 per cent to 8.90 per cent. Elsewhere, though, the Fed's apparent reluctance to apply the brakes made investors nervous. Prices of long term municipals and industrials weakened up to a quarter of a point by mid-week, and there were similar, if slightly smaller, net losses on long-dated government bonds.

Then on Thursday, the latest consumer price figures revealed a 1 per cent increase for March, or an annualised 13 per cent. And a few hours later, the money supply figures showed large increases in both M1 and M2.

Because of Mr. Miller's outspoken remarks about the adequacy of present monetary policy only a few days before, the market was divided over how the Fed's decision had actually been taken.

Some of these data will come this week. Manufacturers' shipments, inventories and orders in March come out on Tuesday, followed by the producer price index on Thursday, and consumer credit and employment figures on Friday. Between them, these are expected to show continued economic strength, but with inflation unabated.

Advertisement for Republic of Finland 8 1/2% Notes Due 1984. Includes logos of various banks and financial institutions such as Banque Bruxelles Lambert S.A., Dresdner Bank Aktiengesellschaft, and others.

Advertisement for FT INTERNATIONAL BOND SERVICE. Includes sections for U.S. DOLLAR STRAIGHTS, OTHER STRAIGHTS, DELTSCHER MARK STRAIGHTS, FLOATING RATE NOTES, CONVERTIBLE BONDS, and YEN STRAIGHTS. Lists various bond issues with their terms and yields.

Advertisement for Queen Houses and THE DALIC BANK. Includes text about real estate and banking services.



AUTHORISED UNIT TRUSTS

Table listing various unit trusts such as Abbey Unit Tr. Mgrs. (a), Abney Unit Tr. Mgrs. (a), Abney Growth Unit Tr. Mgrs. (a), etc., with columns for name, manager, and other details.

Table listing insurance and property bonds, including Prudential Portfolio Mgrs. Ltd., Prudential Portfolio Mgrs. Ltd. (a)(b)(c), Prudential Portfolio Mgrs. Ltd. (a)(b)(c), etc., with columns for name, manager, and other details.

Table listing various unit trusts such as Schlusler Trust Mgrs. Ltd. (a), Schlusler Trust Mgrs. Ltd. (a)(b), Schlusler Trust Mgrs. Ltd. (a)(b)(c), etc., with columns for name, manager, and other details.

Table listing offshore and overseas funds, including Alexander Fund, Allen Harvey & Ross Inv. Mgt. (G.L.), Allen Harvey & Ross Inv. Mgt. (G.L.), etc., with columns for name, manager, and other details.

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# FINANCIAL TIMES SURVEY

Monday April 30 1979

هفتاد من الشهر

## Battle in the High Street

By David Churchill

Consumer Affairs Correspondent

THE FIRST phase of the High Street price war is over—but the second phase is now on and the competition is as fierce as ever.

That, basically, is now the state of the grocery industry as delegates gather at the Institute of Grocery Distribution's annual conference in Brighton today.

While representatives of manufacturers, wholesalers, and retailers at today's conference will undoubtedly have their own views as to the causes, course, and the outcome of the battle for a larger slice of the grocery market, at least two points are clear.

One view is that the grocery industry will never be quite the same since that fateful day in June, 1977—straight after the Queen's Silver Jubilee celebrations—when Tesco dropped trading stamps and launched its "Operation Checkout."

Secondly, whatever has happened over the past 22 months—and some companies clearly adopted mistaken strategies—the industry is now more concerned at how it will cope with the problems the industry faces in the next decade.

Undoubtedly, the major problem the grocery industry faces is the static—and even falling—demand for food.

"The low rate of growth in food sales is so low as to be almost invisible at times," points out Mr. Derrick Hornby, president of the Food Manufacturers' Federation.

The IGD's market review, published today, also confirms that "the percentage of total expenditure devoted to food

appears to have reverted to the long-term trend of steady decline.

"It is clear," the IGD adds, "that during 1978 the durable goods sector reaped the greatest benefit from enhanced incomes, followed by the 'other services' category. It is perhaps of significance that in the last reported quarter this category (which includes such items as travel, entertainment and recreation) exceeded food in terms of the percentage of total expenditure."

"In other words, based on Central Statistical Office categories, in the third quarter of 1978 food was, for the first time, no longer the largest item of consumer expenditure."

### Limited

It is clear that if volume growth in food is limited, then the competition for a share of that market becomes even more fierce.

The price war in the High Street is a direct result of the low rate of growth in food sales," says Mr. Hornby, "the large multiples are thus compelled to try to improve their own market shares."

And this is exactly what has happened throughout the 1970s, according to statistics produced by the Nielsen market research company. The multiples share of grocers' sales has risen from 44.3 per cent in 1971 to 53.3 per cent last year. While the Co-operatives' share has remained virtually unchanged, it is the independent grocers who have lost out, according to the Nielsen figures. Their market share has slumped from 42.5 per cent to 33.1 per cent.

# The Grocery Industry

The major problem now facing the grocery industry is the static demand for food, with the result that the price war in Britain's High Streets is becoming even fiercer. This development will be among key issues being discussed at today's annual conference of the Institute of Grocery Distribution.

The multiples' marketing strategy is simple, and if it succeeds, is completely effective. The theory is that by cutting prices (and therefore profit margins, as well) the multiple can generate sufficient extra volume sales in the short term to at least cover the lost profits.

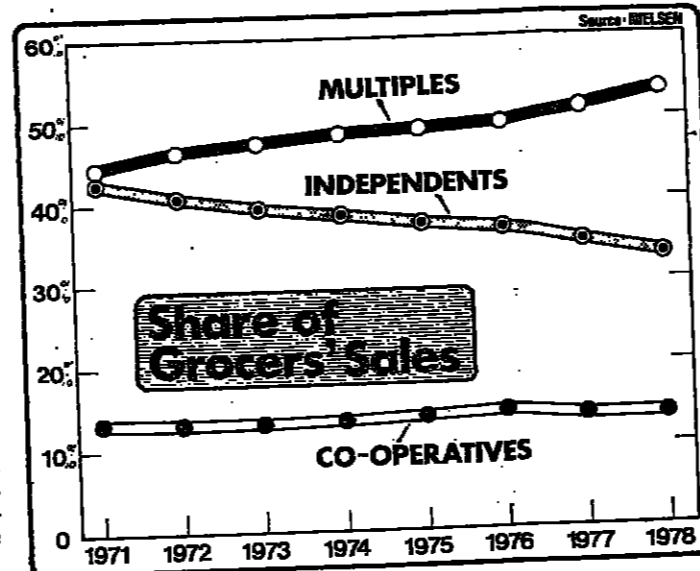
But in the longer-term, if the extra volume can be maintained after the initial price-cutting offensive, then a return to more realistic prices and profit margins will mean substantially higher profits.

That, at least, is the theory. In practice, it does not always work out, especially if the price-cutting campaign does not succeed in generating extra sales—or if these are lost once the price cuts finish.

But Tesco decided to take the plunge and start a price campaign in June, 1977. Its timing was a culmination of a number of factors, including a response to the high inflation rates of the mid-70s, the decision to drop trading stamps (using the money thus "saved" to make price cuts, instead) and the result of the evolution of a new breed of professional management within Tesco, keen to set a new image for the company and lay the foundations for the 1980s.

This, then, was the first phase of the price war and there seems little doubt that Tesco and J. Sainsbury have emerged as the winners.

Tesco's "Operation Checkout" campaign quickly led to a massive 40 per cent sales jump and boosted market share by an unprecedented 50 per cent, from around 8 to 12 per cent of the packaged grocery market, as



monitored by AGE. Since then, Tesco has not only held on to this market share, but has continued to increase it—it now stands at around 13 per cent.

But more importantly, Tesco also succeeded in boosting its profits. The interim pre-tax profits of £13.8m in the current financial year—up from £10.3m—were a record for a half year.

Following Tesco's initiative, the other supermarket multiples sought to enter the fray. But of these, only Sainsbury has emerged as a "victor" with the success of its "Discount 78" campaign which it is now continuing. Sainsbury allied its traditional reputation for quality and value for money with extensive and well-publicised price cuts in basic commodities.

Within a few months of launching its counter-offensive

in January 1978, Sainsbury's share of the packaged grocery market jumped from around 8 per cent to about 10.5 per cent. While not as spectacular as Tesco's leap, it was still a remarkable achievement in terms of the grocery market.

Sainsbury's market share has since crept up to almost 11 per cent and the company says that when fresh foods are taken into account, its total share of the market is probably equal to that of Tesco.

Sainsbury's interim financial results also showed sharp increases, with pre-tax profits up by almost a quarter to £15.6m and sales turnover up by more than 28 per cent.

In the military terminology which seems to have entered the grocer's vocabulary, the sharp offensives launched by Tesco and Sainsbury virtually

represented a "blitzkrieg" on the grocery market. Both Tesco and Sainsbury, by a combination of aggressive marketing, deep price-cutting, sound distribution, and efficient management, have pushed themselves to the front of the market and are determined to stay there.

With their higher volume sales they have also been able to maintain their grip on the market and prevent any significant counter-offensives being fought. Tesco and Sainsbury can afford to keep prices and margins at a low level since they have the volume to make it pay. Their rivals, without the same sales volume, find their margins and profitability under increasing pressure.

No other chain now has the opportunity to launch another Tesco-type operation, since margins are already pared to the bone. International Stores, which last autumn abandoned the trading stamp franchise it picked up from Tesco, was able to make little headway with the £5m it switched from stamps to price cuts.

In addition, even if a major multiple could afford another deep price-cutting operation now, it is doubtful if it would have the same effect as the Sainsbury or Tesco campaigns. However gullible supermarket chiefs may expect the public to be, there is a limit to their willingness to believe every claim to be the cheapest shop around. Tesco, Sainsbury and, to a certain extent, Asda, have been able to achieve such an image, which would be difficult to supplant.

Thus, to all intents and purposes, Tesco and Sainsbury have "won" the price war. But

because the "victory" was achieved without irreparably damaging the other combatants—the market gains have been made at the expense of the independent sector—the grocery industry seems to be headed for a long period of trench warfare.

Tesco and Sainsbury may be the winners in the short-term—but there is every sign that the war in the High Streets will continue until well into the 1980s. The IGD reports that gross margins have been trimmed to their lowest level since its grocery profitability "model" was first constructed in 1973-75, while net margins are back to the low point of 1975-76.

"This is, of course, a direct result of the continued competition between the multiple chains and confirms that, contrary to some reports, there appears to be no easing of the pressures," points out the IGD, in its latest market review.

### Superstores

While prices will still remain competitive, the real issue over which the continuing High Street war will be fought clearly is the battle for superstore development.

The major multiples may not be able to launch another deep price-cutting offensive in the short-term, but in the longer term they can achieve the same result by boosting volume through the expansion of selling space.

But not only do large stores mean more sales of foodstuffs; they also mean that the multiples can concentrate on non-foods ranging from clothes

to colour televisions for which consumer demand is growing and for which the profit margins are highest. The multiples are investigating almost every other retailing activity in the High Street to see if it can fit in with their food trading activities. Thus, Sainsbury's has been leading the fight to sell branded cosmetics through its stores, and Tesco has been experimenting with holidays, gardening, and Do-It-Yourself among other projects.

The crucial areas on which the continuing war will be fought, therefore, are how quickly large stores can be opened and how successfully a profitable product mix can be created.

The significance of the superstore to the multiples was shown by the fact that last year saw a rapid spate of openings. Tesco led the way with nine new superstores, Sainsbury with eight, Fine Fare with seven, and Asda with six.

Geographically, the major shift in the past 12 months has been the growing encroachment of Asda towards the south, while Sainsbury is slowly moving north.

Yet, while it is clear that the seemingly inexorable trend in grocery retailing is towards larger and larger stores, the grocery market in the 1980s is still likely to find a place for the numerous small, independent grocers. Market analysts believe that the grocery sector will polarise between the very large stores—popular with a more affluent and mobile shopping public and very small stores which will offer convenience instead of price competition.

The next decade will also be significant for the grocery industry for two other factors: One is the ability of the multiples to harness the new computerised electronic developments to improve management information and store traffic. The major development for the 1980s will be the widespread introduction of laser-scanned grocery products at the checkout, to provide a detailed bill for the customer and speedier information for the manager.

The other major development, which could have as great an impact on the grocery market as trading stamps in the 1960s, is the rapidly growing introduction of credit cards. The grocery industry is confident that when the cashless society finally comes, then the superstores and supermarkets will be leading the way.

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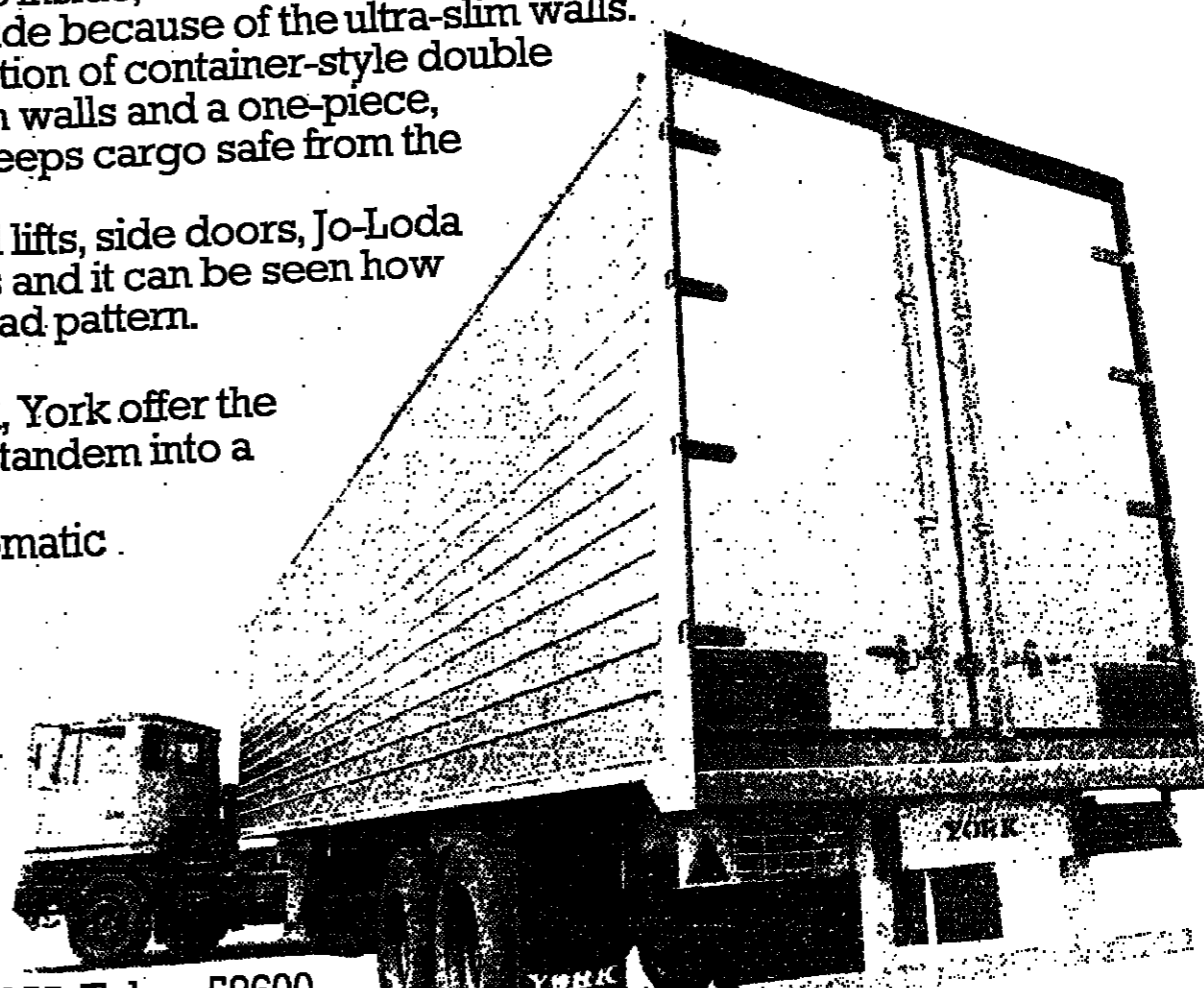
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# THE GROCERY INDUSTRY II

## The dominance of the multiples

**THE SUPERIORITY** of the High Street supermarket multiples which have been fighting a well-publicised price war for the past 22 months took a sharp knock last January during the lorry drivers' strike.

Research carried out by the AGB company revealed that when the going was tough and food supplies were short, the housewife forgot all about price cuts and switched to convenience instead. Thus, in January the multiples share of the packaged grocery market fell to 62.5 per cent, a reversal of the trend for some time.

In November last year, the last full month of "normal" trading (ie, before Christmas and the lorry strike) the multiples had achieved a market share of 65.2 per cent according to AGB's figures.

The co-operatives and small independent stores benefited at the expense of the multiples during January, therefore, mainly because being small their shops were more readily accessible to the shopper. The bad weather and the pressure on supplies meant that all the benefits of large store shopping—which have become increasingly more apparent throughout the 1970s—were wiped out almost overnight.

All the major multiples, with the exception of International Stores, suffered a loss of trade in January because of the effects of the weather and strikes. International, whose competitive position in a normal trading period is hampered because of the large number of small stores it operates, was therefore also able to benefit from the adverse conditions.

### Recovery

But, not surprisingly, the return to more normal conditions during February saw a recovery of the multiples' market share, to reach 64.5 per cent of the total market for packaged groceries sold through recognised grocery outlets.

The superiority of the multiple supermarket chains was re-established—but the events of last winter show clearly that in the fast moving world of grocery retailing, nothing can be taken for granted.

But the multiples' relentless march towards dominance of the grocery world during the 1970s is apparently unstoppable in the long term. Statistics produced by the Nielsen research company show just how relentless this progress has been.

In 1971, the multiples and independent grocers were running virtually neck and neck—with the multiples enjoying a slight edge with 44.3 per cent of the market and the independents 42.5 per cent.

But over the following seven years, the multiples have gained ground largely at the expense of the independents, with the co-operatives share remaining fairly constant throughout.

Thus by 1978, according to the Nielsen figures, the multiples had increased their market share to reach 53.3 per cent—a 9 per cent jump over the decade—while the independents' share had steadily dropped to 33.1 per cent, a fall of 9.4 per cent.

The reason for the multiples' growth has been simple: their shops are on average substantially larger than those of the independents. And the name of the game now, with the fierce pressure on profit margins, is to secure as high a volume as possible while reducing overheads.

The benefit of size becomes even more clear when it is remembered that there are about 70,000 independent grocers—about ten times as many as there are multiple grocers.

Most market analysts expect that the grocery retailing trade in the 1980s will polarise between two extremes: large supermarket and superstores, and small, local convenience stores. The multiples firmly believe that their future lies in large store development, hence the large-scale investment programmes mounted throughout the 70s by most multiples, especially Tesco, Sainsbury, Asda, Fine Fare, and the co-operatives.

The reasons for the concentration on size are both economic and social. The overall static demand for food and the competitive pressures on operating costs and margins has meant that the key to profitability lies in achieving a higher volume of sales to compensate for the low margins. And the only way to achieve higher volume of sales, as well as cutting operating costs and take advantage of new distribution techniques, is to open large stores.

In addition, the multiples believe that large store shopping also meets a growing change in society. As more women go out to work, and the car owning population increases,

CONTINUED ON NEXT PAGE

## Independents in decline

**ALTHOUGH INDEPENDENT** grocery retailers are by far the most numerous—overwhelming the multiples by ten-to-one—it is the independents who have lost the most from the High Street supermarket war.

The independents have lost not only market share to the multiples but small grocers have found it increasingly uneconomic to stay in business: some statistics suggest that as many as 19 small stores every week go out of business. Although proportionately more multiple chain stores have been closed in the past, this largely reflects the multiples' desire to close down small stores and open new superstores.

The new Tesco superstore at Pisea, in Essex, for example, is 100 times the size of a 1,000 sq ft independent grocer—and 1,000 sq ft is considered large for an independent.

Yet, there are many in the trade who feel that the worst is over for the small grocer and that his share of the market will not only stabilise in the short-term but is also more assured in the longer-term.

### Intensity

The problem the small, independent grocer has faced during the past few years of stiff competition is not unique and has been on the cards for the last two decades. The only difference now is the degree of intensity that the independent faces.

But the groups that have managed to withstand the effects of the High Street war best have been the voluntary, or symbol, groups, such as Spar, VG, Wavy Line and Mace. These symbol groups account for about 10 per cent of the packaged grocery market, according to AGB figures, and have some 21,000 stores in total. The more numerous independents have about a 9 per cent market share.

The voluntary group concept is both fascinating and unusual. It was born in the Netherlands during the 1930s but the evolutionary process began in Britain in the mid-50s. The genesis lay in the fear on the part of independent wholesalers that in the post-rationing era the fast growing multiple chains would price small retailers out of business. This, in turn, would rob the independent wholesaler of his trade.

Grocery distribution was, in any case, fairly rudimentary in those days with retailers gaining none of the benefits of bulk buying. Around the country, therefore—and roughly at the same time—individual wholesalers began to offer loyalty inducements to their best retail customers.

Retailers were invited to buy everything they could from one wholesaler for an across the board discount of, say, 2½ per cent. The incentives were given not only for the volume of business but also for continuity.

But from this two-tier system a three-tier system gradually emerged—though in different ways in different groups. The wholesalers were the original prime movers but as they came together they realised that their operations needed central co-ordination. Thus, central management structures were superimposed on the wholesale and retail levels.

By joining a voluntary group, the independent grocer receives the benefit of sources of finance for shop developments; advisory services; national advertising and special regional promotions; and a range of own-brand products for sale at lower prices. The main voluntary groups

are VG with some 3,300 stores and about 2 per cent of the market. Spar and Mace with about 4,000 stores each, and Wavy Line with just under 2,000 stores.

The development of the VG chain was carried out under the umbrella of what today is Hanks Hovis McDougall. In 1955, a south coast wholesaler called Stewart, a subsidiary of McDougall, embarked on the voluntary group trade.

Mr. Richard Branson, who is now managing director of Allied Grocery Distributors, the parent company of the VG operation, began by recruiting 17 retailers supplied by one of the company's four wholesale depots.

The following year all four depots had switched to the voluntary group principle and by 1959 Branson had resigned from Stewart to form VG Grocery Services, whose only asset was the VG trademark.

By then, Stewart was a part of RBM and the other wholesalers within the chain had become part of the VG chain.

But the operation was still regional and with the advent of commercial television in 1958, there was a premium on a national network organised roughly by TV network areas.

VG Grocery Services, therefore, began a recruitment campaign of wholesalers on a national basis, giving suitable candidates the franchise to use the VG name. This paved the way for regional and national television advertising campaigns to publicise promotions and promote own brand goods.

The voluntary groups now are largely associated with a major wholesaler. Booker McConnell is the dominant supplier of Mace and the merger of Linfood and Wheatheaf last year means that both Spar and VG now come under its influence. Linfood controls 50 per cent of Spar outlets and 70 per cent of VG.

The trouble with the independent grocer, however, is that their stores are simply too small to compete economically with larger supermarkets. The Institute of Grocery Distribution's survey last year found that eight out of 10 independent stores were below 1,000 sq ft in size. Tesco's average store size is around 8,000 sq ft and Sainsbury's is 13,000 sq ft—but both groups and other multiples are constantly seeking to increase store size and build more superstores of more than 25,000 sq ft in size.

The voluntary groups acknowledge that very small shops are uneconomic to be run in competition with the multiple supermarkets. Some attempt is being made to increase some store sizes to offer greater competition—VG has a number of "Super VGs" under its wing—but the real future for the symbol and independent grocer must remain as the convenience store.

Stockbrokers Griesevon Grant

put the small grocer's case in one of their recent circulars: "The small shop has strong defensive qualities against the pressures from the High Street competitors," the brokers say.

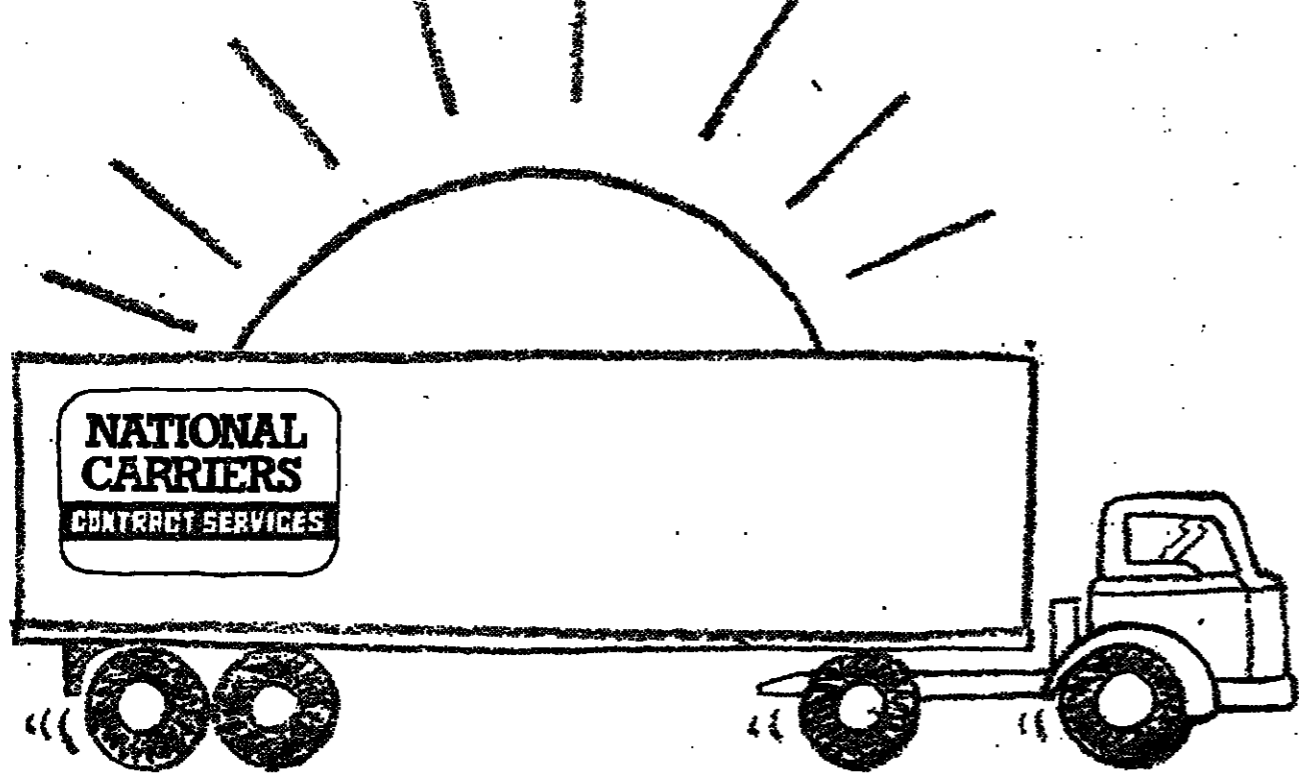
"The owner-occupier usually runs the shop himself, with the help of his wife and one or two part-time assistants. He lives above the shop and probably stays open later most evenings than his High Street competitors. He is probably open on a Sunday as well."

The independent and voluntary group grocer will always attract a certain, albeit small, percentage of shoppers who prefer to do their main shopping at a local store rather than go to a larger supermarket or superstore. But the advantage that the small grocer has is one of convenience: being there when the consumer needs a small item and is more concerned with its availability rather than the price.

In the U.S., for example, convenience stores are the fastest growing sector of the grocery retailing trade. Although this reflects the years when the small grocer virtually disappeared from the U.S. scene, it does show that whatever the economic case for large store expansion, there should always be a place for the independent grocer—and one that is economically viable as well.

David Churchill

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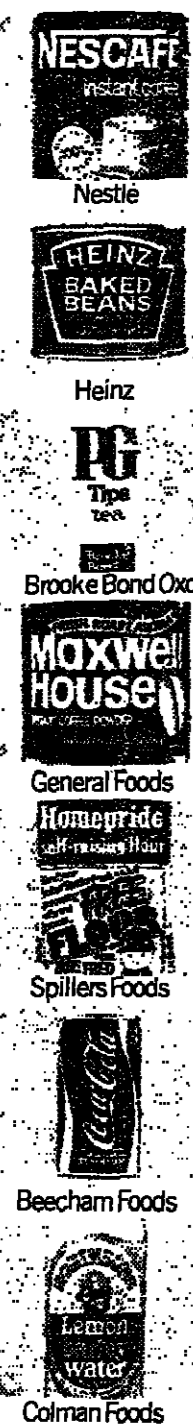
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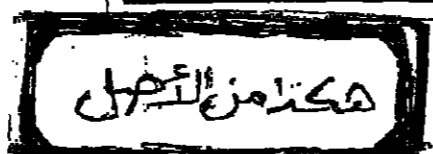
We boldly go out and make a 30-second television commercial around the brands of the sponsoring manufacturer: we print leaflets and window bills that utilise the brand's advertising themes and we tie-in the brands with our own promotional schemes.

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### Intensity

The problem the small, independent grocer has faced during the past few years of stiff competition is not unique and has been on the cards for the last two decades. The only difference now is the degree of intensity that the independent faces.

But the groups that have managed to withstand the effects of the High Street war best have been the voluntary, or symbol, groups, such as Spar, VG, Wavy Line and Mace. These symbol groups account for about 10 per cent of the packaged grocery market, according to AGB figures, and have some 21,000 stores in total. The more numerous independents have about a 9 per cent market share.

The voluntary group concept is both fascinating and unusual. It was born in the Netherlands during the 1930s but the evolutionary process began in Britain in the mid-50s. The genesis lay in the fear on the part of independent wholesalers that in the post-rationing era the fast growing multiple chains would price small retailers out of business. This, in turn, would rob the independent wholesaler of his trade.

Grocery distribution was, in any case, fairly rudimentary in those days with retailers gaining none of the benefits of bulk buying. Around the country, therefore—and roughly at the same time—individual wholesalers began to offer loyalty inducements to their best retail customers.

Retailers were invited to buy everything they could from one wholesaler for an across the board discount of, say, 2½ per cent. The incentives were given not only for the volume of business but also for continuity.

But from this two-tier system a three-tier system gradually emerged—though in different ways in different groups. The wholesalers were the original prime movers but as they came together they realised that their operations needed central co-ordination. Thus, central management structures were superimposed on the wholesale and retail levels.

By joining a voluntary group, the independent grocer receives the benefit of sources of finance for shop developments; advisory services; national advertising and special regional promotions; and a range of own-brand products for sale at lower prices. The main voluntary groups



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# Food manufacturers in the doldrums

FOR THOSE food manufacturers who thought 1978 was a bad year—with companies being squeezed between rising raw material and operating costs on one hand and Government price controls on the other—then 1979 has turned out to be a disaster.

The continuing depression of the continuing depression of food manufacturers has been the brunt of the winter for many years, but this year the weather and industrial relations point of view.

The heavy drivers strike in January brought sharply home to the public the delicate balance on which the food production chain operates in the UK. In addition, the severe winter weather also showed how the climate could "at a stroke" cause food bills to soar as fresh vegetables became virtually non-existent because of several degrees of frost.

The effect of last winter's problem is likely to have repercussions throughout the food industry for the rest of this year and beyond, most likely reversing the gradual improvement in profitability of food manufacturers that had been noted towards the end of last year.

## Dangers

If that happens, as seems inevitable, then the profitability of Britain's food manufacturers will continue on the slippery slope and eventually become a dangerous slide (to quote the former Food and Drink Industries Council chairman, Sir Hector Laing, at a recent Press conference).

The end result could be collapse of some companies and even whole sectors—followed by the inevitable rationalisations, higher imports, and probably higher than necessary prices for the consumer.

The basic problem for the food manufacturers is that apart from short-term fluctuations, the demand for processed foodstuffs is virtually static and, to a certain extent, declining.

The steady rise in earnings over the past few years has not been matched by a corresponding increase in spending on food. Instead, the demand has been for consumer durables and other non-food items. Food manufacturers point out that some housewives' ability to buy more food (instead of just spending more because of inflation)

is often limited by their husbands' reluctance to pass on the cost of living element in their pay rises.

Thus, in 1978, consumer expenditure rose on average by 5.5 per cent in real terms. But while expenditure on clothing increased by 9.6 per cent, and on consumer durables by as much as 18.1 per cent, expenditure on manufactured foods was virtually static.

The significance of the failure of food to show real growth is that food manufacturers have traditionally relied on volume sales to compensate for low profit margins. With the volume growth, low margins become a financial mill-stone—as companies such as Spillers have found. It was only a year ago that Spillers decided to pull out of bread production because of the impossibility of making an adequate return from the low margins on bread in a market when demand has been falling.

The effect on food manufacturers has been for a steady fall in profit margins throughout the 1970s. These now stand at about half to two-thirds the 1971 level which, at around 6 to 7 per cent, were not considered adequate even then. The cumulative effect of years of reduced profitability has meant a substantial cut-back in capital expenditure. There has been little new fixed investment: even worn-out machinery has not always been replaced and there is little financial scope in many companies for the introduction of new more efficient machinery to reduce costs and improve profitability.

The depressed financial climate has arguably led to a curtailment of innovation; stocks have been reduced to a bare minimum, with the consequent risk of interruption to supply; and consumer choice is reduced as very low profit margin items and "own-label" business is scrapped.

But if the basic cause of the problems facing the food manufacturing industry has its roots in the lack of growth on real food expenditure, the problem is compounded by the pressures from all sides on the manufacturers.

These pressures fall into three main areas: increased raw material and operating costs; Government intervention; and the power of grocery retailers to finance the High Street price war by squeezing large discounts out of manufacturers.

Mr. Derrick Hornby, chairman of the Food Manufacturers'

Federation, warned at the Federation's recent annual conference: "I must say frankly to our retailer friends that manufacturers cannot afford any longer to finance their price war. If they continue to press for large discounts, some manufacturing firms will go out of business or be taken over."

He added: "The price war in the High Street is a direct result of the low rate of growth in food sales, coupled with intense competition."

Mr. Hornby said that this meant that food manufacturers were unable to pass on in full the increased costs they faced, as well as facing large discounts from supermarkets. Food manufacturers in the past have usually been forced to offer substantial discounts to supermarkets in order to secure a sufficiently high volume of production to stay profitable. With declining demand, there is too much food chasing too few buyers.

In the case of the bread industry, the chronic excess capacity in the industry meant that the

three big bakers each had to offer large discounts to secure sales—thus further making production unprofitable. When Spillers finally decided to pull out, thus reducing the production capacity in the industry, both the remaining two big bakers each heavily cut their discounts to the supermarkets.

The stronger the brand loyalty from consumers—for Kellogg's cornflakes or Heinz baked beans, for example—then the easier it is for the manufacturers to resist demands for bigger discounts, while at the same time maintaining sales volume. Hence the £100m-plus spent on advertising food manufacturers' branded goods last year.

Mr. Hornby suggests that "it is not easy to estimate the effect on the level of food manufacturers' profitability of the supermarkets' pressure, but it must amount, in total, to a substantial sum."

The manufacturers also point out that profitability is hampered by the rise in raw material and packaging costs

which have risen by about a quarter over the past two years. For example, last year's EEC price settlement increased the cost of many basic raw materials by about 10 per cent. Tin plate prices rose in 1978 by 10.6 per cent, while glass container prices rose by 8.1 per cent.

Another major problem has been the effect of the UK's adjustment to the Common Agricultural Policy and the continuing differences between the UK and some other EEC members as to the CAP's future. Food manufacturers would like to see a more positive strategy aimed at reducing high EEC prices and tackling the fundamental problems of surpluses.

But without doubt the food manufacturers' anger is directed first and foremost at Government price controls, which they believe are a political device, carried out mainly at the expense of the food industry with little economic justification.

Sir Hector Laing has warned: "The continued bureaucratic and political influence designed to hold down prices artificially to satisfy the political aims of cheaper prices for the consumer, while at the same time pursuing policies in other directions having precisely the opposite effect, has starved industry of profits."

The manufacturers' opposition is on two levels: price controls have blunted profitability by limiting necessary price rises; and they have had the psychological effect in reducing confidence among managers in their ability to operate effectively. There is little doubt (and on this there remains some sympathy within the Price Commission) that the food industry has suffered more than most in recent years from price controls, mainly because food prices are such an electorally sensitive subject.

But it is also true that in spite of price controls, there has been little real effect on holding price rises down.

Manufacturers, however, are

aware that the airing of their problems may not be popular: "If it is felt that these claims are the exaggerated bleatings of a wealthy industry, let me remind you of what was said a few years ago about motor-cars, motor-cycles, and ball bearings, among other industries," points out Sir Hector Laing.

He adds that these industries were assumed to be in unassailable positions in their markets, both at home and overseas, and were now in decline. "The consequences of ignoring their appeals and warnings are now history," he says.

Certainly, food manufacturers can see some solutions. The Monopolies and Mergers Commission is currently reviewing the whole question of manufacturers' discounts and may recommend legislation along the lines of that existing in the U.S. which would be of benefit to manufacturers.

And while the fierce competition in the High Street is continuing, there seems little scope for a renewed outbreak of deep price-cutting that was initiated

by Tesco and J. Sainsbury over the past few years, simply because the supermarkets themselves cannot afford to launch a new offensive but must still continue with consolidating the present level of competition.

And a Conservative victory in this Thursday's General Election would almost certainly be welcomed by food manufacturers as meaning a reduction in Government interference in their affairs.

But according to the latest industry report from the Food and Drink Industries Council, the forecast for the remainder of 1979 would appear to be bearish.

"Wage claims, together with the inflationary road haulage settlement, combined with higher oil prices, are likely to mean that inflation rates in excess of 10 per cent will reappear," the report says. "The fortunes for the industry for 1979 are far from clear, but much is likely to depend on the trend of real incomes during the year."

## The multiples

CONTINUED FROM PREVIOUS PAGE

—then the company's profits suffer and it has to struggle to regain its former position. Many an ambitious market leader has floundered after the failure of an aggressive price-cutting campaign.

But Tesco's decision to spark off the latest price war, by dropping trading stamps in the summer of 1977, has certainly paid off with market share, sales volume, and profits all increased by record amounts. Sainsbury also has achieved record growth in sales, market share, and profits and it means that it and Tesco now dominates just under half the multiples share of the market.

Next, in terms of market share, comes Asda, the Northern-based superstore chain, operated by Associated Dairies. Asda has concentrated exclusively on superstore development (it opens its 50th store tomorrow, in Scotland) and is the company that both Tesco and Sainsbury must fear most as being capable of upsetting their market dominance.

Asda is currently attempting to break into the lucrative

market in the South of England (it has traditionally been strongest in the North). In addition, it has sought to strengthen its non-food sales by a merger with Allied Retailers, the carpets and furniture group.

Another leading discount chain is Kwik Save, but unlike Asda, the Kwik Save formula has been based on a phenomenon known as limited range discounting. This system involves the store concentrating on a small number of most often purchased grocery items—a range of up to 1,000 instead of the usual 4,000-5,000 items stocked in a supermarket—and then selling these as quickly as possible at low prices.

Limited range discounting stores are a quick alternative to superstore development since large increases in volume sales can be achieved from a relatively small space.

Although Kwik Save has profited by the formula ever since the ubiquitous Mr. Albert Gubay founded the company in the 1960s, but most other supermarket chains have tended to use limited range dis-

counting as a defensive measure against the large gains achieved by Tesco and Sainsbury as well as making small, uneconomic stores viable again.

Thus, Fine Fare—which is also big in superstores—has a successful limited range discount operation called Shoppers Paradise. International also operates a chain of such stores under the Pricerite banner.

Chain

Even Tesco, which has scorned limited range discounting in Britain (preferring instead to close down small stores or try different retailing ideas, such as fast food shops) has recently acquired a limited range discounting chain in the Republic of Ireland. The chain, called "Three Guys," was established by Mr. Gubay of Kwik Save fame, who now apparently plans to take the U.S. equally by storm.

Tesco says it has no plans at present to bring the "Three Guys" operation to the UK and indeed it would have little to gain from such a move. Instead,

it is following a course that others may eventually be forced to adopt if the competition becomes too hot in Britain—namely, seeking growth overseas.

It is probably no coincidence that the three most successful multiples (Tesco, Sainsbury, and Asda) are all able to directly control their business without having to seek the approval of a parent company.

International Stores, for example, which turned a £5.5m trading profit into a £5.5m trading loss within a year, is a subsidiary of BAT Industries, the multinational tobacco company. And Fine Fare, with just over 4 per cent of the packaged grocery market, is owned by Associated British Foods.

While it is virtually impossible to determine how far a parent company intervenes in the running of its subsidiary, there must nevertheless be a certain degree of caution which companies such as Tesco and Sainsbury do not have to worry about.

The largest multiple, apart from the co-ops which because

of their fragmented structure are more a series of individual multiples than one nationally controlled multiple, in terms of grocery outlets but not in market share is Cavenham Foods' subsidiary Allied Suppliers. Allied includes Liptons and Presto Stores in total has just over 1,000 outlets. But it still remains behind Asda in market share, having about 5 per cent to Asda's 6 per cent.

During the early stages of the price war it had been suggested in the grocery trade that one or more of the larger multiples might collapse from the fierce competition. As yet none have gone, and most, in fact, have managed not only to hold onto their market share but also make very small increases along with the overall growth rate for multiples.

Thus, assuming that BAT remains loyal to International there do not appear any likely casualties among the major multiples from the High Street price war.

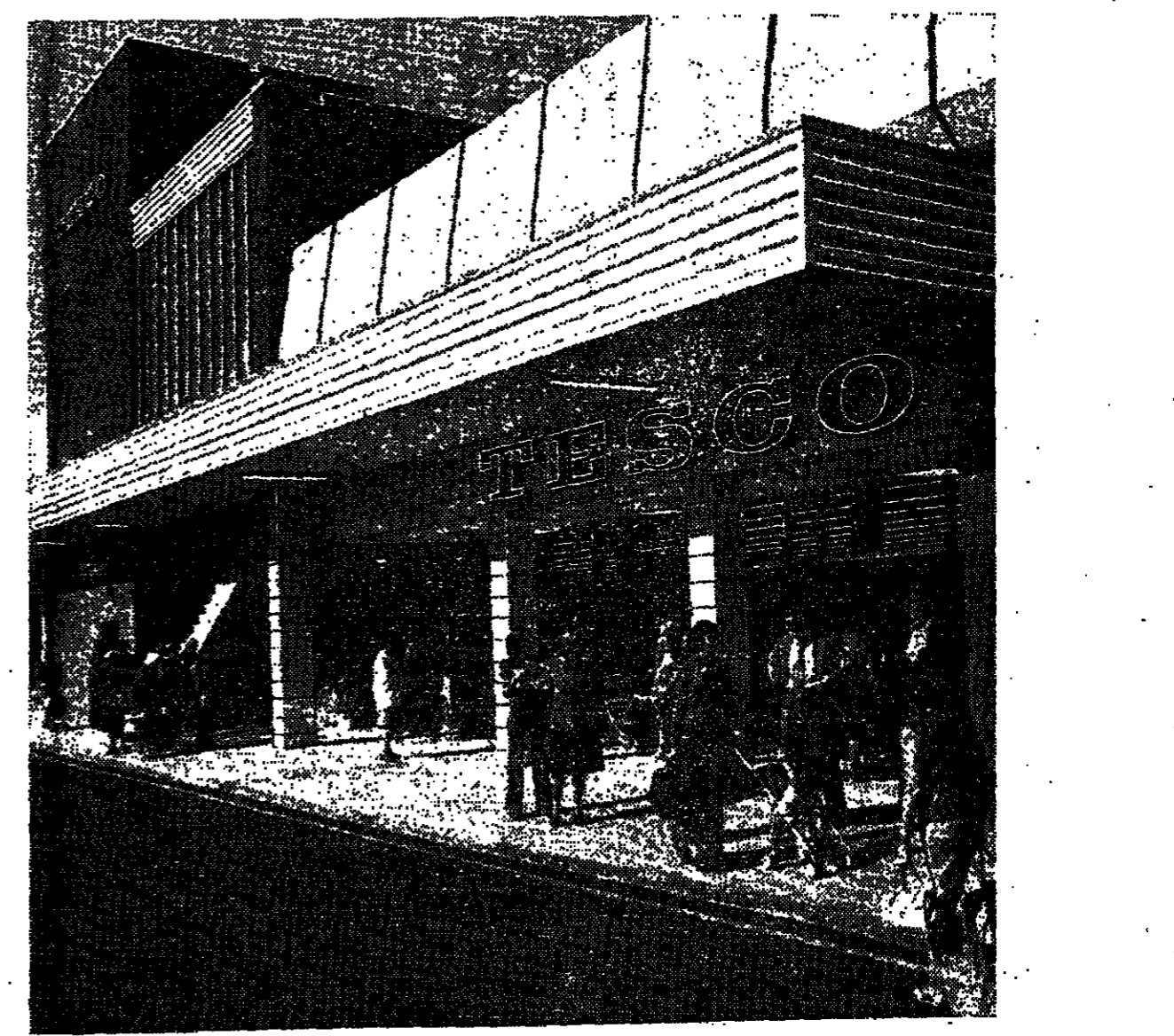
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WHILE MOST of the publicity from the High Street price war of the last 20 months has naturally gone to the supermarket multiples, it is worth making the point yet again that the largest single grocery retailer by far remains the co-operative retail societies.

The co-ops account for some 18 per cent of the packaged grocery market—the usual indicator of market share—according to AGB's figures, while Tesco has some 13 per cent and Sainsbury around 11 per cent. Admittedly, there are some 6,000 co-operative grocery outlets compared to Tesco's 600, but even so, the co-operatives are a force to be reckoned with in grocery retailing.

Moreover, the co-op movement is a force to be reckoned with by any means of accounting, as Sir Arthur Sugden, chief executive of the Co-operative Wholesale Society made clear recently.

"The Co-operative Movement has 11m members while an even greater number—some two of all shoppers in the UK—going into a co-op shop every second week, and there are a total of 8,500 shops of many different types and sizes," he says.

"We are the largest retailing organisation in Western Europe with a turnover in 1977 of £2.5bn. We employ over 300,000 people. As grocers we are four times the size of our nearest rival.

"We own the largest fleet of motor vehicles in the country next to the Government (and they count their tanks as armoured cars). We have 150 factories and processing plants at home and abroad, a travel

agency, and a chain of hotels. We own the sixth biggest deposit bank and the ninth largest insurance society in the UK.

"We also supply nearly one third of the nation's liquid milk; we sell coal and other solid fuel worth over £30m a year—second only to the National Coal Board—and amongst other things, we are the nation's largest funeral contractor," he adds.

The fact, however, that the Co-operative grocery retailing performance does not receive the same recognition as that for Tesco and Sainsbury among others is probably due to several factors. One is that the image persists of the co-op as an old-fashioned grocery

operation (belying the fact that the co-operatives were among the first to introduce supermarket sales techniques into the UK) which does not exude a dynamic appeal.

Another factor is that the co-operative lacks an aggressive centralised control of its grocery retailing operations: the 200 or so individual retail societies retain complete control of their own activities, although there has been a growing tendency to adopt a unified promotional campaign and marketing strategy. (But imagine what Sainsbury's performance would be like if each of its 200 plus stores had complete autonomy.)

In addition, the continual confusion and conflicting proposals over the future role and structure of the co-operative movement in the UK does little to create an image of a thrusting, dynamic retailer with a clear idea of where it is going and why (which is the image that Tesco has clearly implanted on the public's mind).

As with most massive organisations, the response to changing trading situations has always been fraught with problems. Thus, over the past three decades the co-operatives have outpace the organisation which had originally been in the forefront of the self-service concept.

In addition, in the non-food area, these competitors had actively pursued the younger and more affluent customers. These groups have provided a large part of the volume growth in retailing but who, by and large, have failed to significantly be attracted to the co-op's old-fashioned virtues.

On paper, the co-operatives remained attractive: after all, they were pledged to help the consumer and to plough back profits in the shoppers' interest. They also had a social role that set them apart from strictly profit-seeking supermarket chains.

But the co-ops increasingly found that their stores were too small and less attractive to those being developed by other supermarket multiples. And co-ops were not especially cheap places in which to shop, even when the dividend was taken into account. Shoppers also had to take the trouble to join before they could take advantage of the divi payments.

The turning point came in the late 1960s when the Co-Opera-

tive Wholesale Society, having re-organised its own operations under a new and more professional management, started to turn its attention to the retailing side of the business. Not only did it set out to instil in the retail side of the movement a sense of direction it obviously had to follow if its trading fortunes were to revive, but it also had the cash resources to finance the necessary developments.

So, in the late 1960s and early 1970s, the co-operatives concentrated on a massive facelift campaign. Big new supermarkets were built with the aid of CWS finance and the old small outlets closed down. In addition, a common co-op logo was adopted by most societies.

And, at the same time, a new concept was introduced for distributing the traditional dividend. Instead of the former credit to members' accounts, the co-ops switched to giving stamps to the value of the dividend on the amount spent.

This meant that for the ordinary shopper, the co-op became a trading stamp organisation in the same way as Tesco and others offered Green Shield trading stamps.

Although the dividend stamp has become seemingly old-fashioned following Tesco's spectacular abandoning of stamps and concentration on price cuts instead, the co-op's stamp has remained useful for two main reasons.

## Efficient

In the first place, it is a fairly efficient means of distributing the dividend and shoppers are still aware that it is a distribution of the profits, or surplus.

Secondly, the dividend stamp system provides financial benefits to the co-ops as well, since most shoppers use books of stamps to buy goods from co-ops stores. In addition, the use of stamps also gives co-ops a cash flow benefit.

At the same time as these retailing changes, there took place a number of structural changes. In particular there has been a substantial reduction in the number of societies. From 700 or so societies in the late 1960s, there are now only just over 200 and the number is still falling.

Many of the larger societies that have resulted have been brought about by forced mergers. Others have had a more positive source, created out of

the realisation that larger units are essential if the co-operative system is to compete successfully with its multiple store competitors.

In the last published accounts of two of the big London societies—the Royal Arsenal and the London Co-op—the ravages of competition were apparent. The Royal Arsenal reported a net loss of almost £370,000 in the year to January 21, 1978, on sales figures of almost £124m, as well as facing severe criticism from its shareholders. The London Co-op was forced to sell assets, including shares in London Weekend Television, to finance a £286,000 trading loss on sales of £207m.

At last year's Co-operative Congress at Scarborough a number of societies were criticised for not sticking to the financial disciplines expected of them. Some in the past have paid more out in dividends than they have made in surplus and have consequently run down their reserves.

At times during the three-day congress, these problems were highlighted by speakers from the platform who called for new initiatives by the Co-op's governing bodies.

But, ironically, the co-ops are probably now in their strongest position for a long time as grocery retailers. The co-ops appear to have developed a marketing strategy that encompasses all possible developments in the 1980s.

In the first place, the co-op movement is one of the biggest operators of superstores in the UK, thus giving it a significant stake in the future development of large store trading anticipated throughout the next decade.

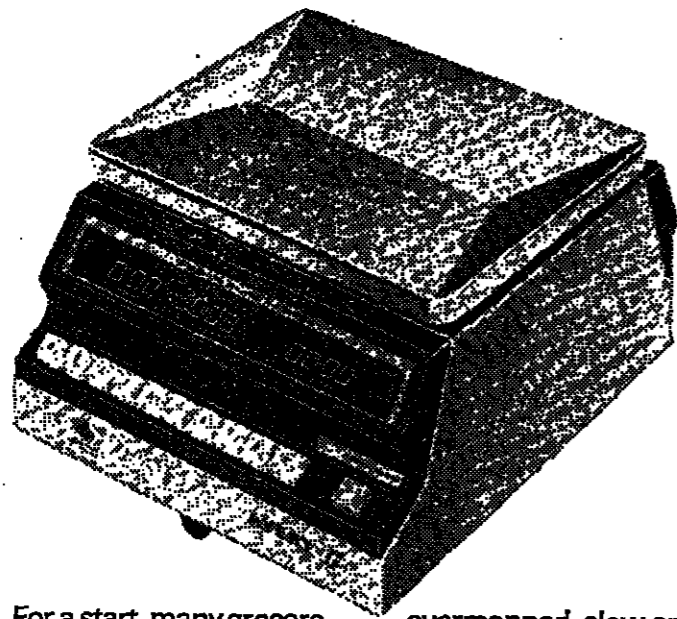
Secondly, the co-op has continued to upgrade its larger supermarkets—our 1,000 best supermarkets will compete with those of Tesco and Sainsbury any day," says Mr. Barry Silverman, marketing manager of the CWS food division.

And, thirdly, the co-ops still have a large role to play in the small convenience store end of the market which is expected to remain.

The co-op has also hit back hard this year with a national promotional and advertising campaign which, for the first time, has been implemented on a regional basis—thus attempting to merge both the advantages of large size to the benefits of local trading.

D.C.

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## Search for superstore sites

THE HYPERMARKET battle has been raging in Britain for a full decade without real signs yet either of a treaty between the protagonists or even of simple battle-weariness.

For the past year the main theatre of war has transferred to London where two of the major superstore operators, Asda and Tesco are battling for permission to build true, free-standing hypermarkets.

London has been late on the agenda of the big operators, one reason being the difficulty of finding and preparing the sort of site needed for a 30,000 sq ft store with ground level parking adjacent.

Those which are now beginning to penetrate London in search of such sites are also finding the planning stage fraught with antagonism from local planners.

## Reaction

Asda, for instance, made an attempt last year to build a superstore at Woolwich, but the plans were scrapped after a local opinion survey conducted by the council produced a negative reaction.

The group is now planning to participate in a £10m redevelopment of Millwall Football Club's ground in Lewisham. The scheme, which will also upgrade the sporting facilities, centres round a superstore of 79,000 sq. ft. (gross), with double-decker parking for 730 cars.

In order to find the space needed, the developers would have to buy in the adjoining former New Cross greyhound stadium. That is owned by Lewisham Council, which is opposed to increased traffic in the area but might be tempted by the injection of new shopping facilities in an area which has been steadily losing them.

On the other side of London, Tesco is still battling, with the backing of British Rail, for a hypermarket on a site behind Wembley Stadium. The plans have already been turned down once and have now been revised to cover a more modest 8 acres only.

If it succeeds, this would be Tesco's first superstore in London—but not its first in the South East. In recent months it has opened an 82,000 sq. ft. unit at Pitsea in Essex. One of the new generation of superstores, it includes a travel agent, a process well established in France and Belgium, countries which first established this pattern of shopping.

It has now become apparent that London is the main target for superstore operators and in response to this the GLC recently carried out a major study of the impact such stores would have on London.

The committee undertaking the study reported to the council last October when even by the more modest criterion applied (that the stores should have a sales area of 25,000 sq ft or more) only four had been established in the city.

The report opened by voicing concern over the impact on established shopping areas of "large-scale car-orientated developments outside existing centres" and laid down as a general guideline that stores on green field sites on the periphery of London should be resisted.

That principle will probably not greatly concern the main superstore operators which, if they plan to be in London, are generally looking for more central sites.

However, the council also lays down that in the main it prefers to see large new stores sited in existing centres and that could give local authorities the muscle to turn down applications for sites which are not immediately located round the High Streets.

These are the two major location factors. Other issues which will then assume prominence include: traffic generation with regard to the existing road network; car parking requirements; services for pedestrian shoppers or those who come by bus; the employment potential;

general environmental problems; and planning gain.

Of prime importance among the factors will be the likely impact on the established pattern of shopping in existing centres, particularly where there have been designated among the 28 strategic centres.

The report does warn that there is only scanty evidence to support fears that hypermarkets blight neighbouring shops, and what little evidence there is suggests that this detrimental impact is limited to smaller supermarkets in nearby centres.

In fact, a major study of such impact has been carried out for the past five years by Mr. Michael Lee, the economist at London surveyors, Donaldson.

Mr. Lee has regularly monitored the impact of the Caerphilly hypermarket run by Carrefour on the neighbouring town of Caerphilly in South Wales. His latest report suggests that in many respects the town is stronger than before the store opened.

Since the store opened in 1972, Caerphilly town centre has lost some retail traders but the service sector has grown bringing more shop premises into use and reducing the number of vacant premises.

Over the period, the main impact was on the hypermarket itself which lost a considerable proportion of its more distant customers with the establishment of no fewer than two 30,000 sq ft Asdas in the region plus two other stores, one of 75,000 sq ft and one of 30,000 sq ft.

In the last 18 months or so, the hypermarket has also suffered from the strength of the High Street supermarkets price war, which has eroded the attractions of the hypermarket stores once billed as steady 15 per cent below those in the High Street.

The entire sector has been suffering from this problem, of course, and figures emerging from the main operators suggest a flat 1978 with recovery only just beginning to show through. Nonetheless, this has not inclined the major firms to reduce or withdraw from their building programmes.

## Increase

There are now 171 such stores—the latest is located at with a sales space in excess of 25,000 sq ft. In 1978, 36 new stores were opened and another 60 have won their planning permission.

International Stores, for example, now has eight superstores, the latest is located at Aldershot (50,000 sq ft). By 1980, the group plans a further 12. J. Sainsbury and British Home Stores seem pleased with the early results, from their 76,000 sq ft unit at Hempstead in Kent and have two more planned under the joint Sava-centre banner—which will provide a further 153,000 sq ft.

But none of the operators pretend that it is easy to find the sites, and it is still well nigh impossible to win local planning permission without a long battle.

Despite the number of such stores which now exist throughout the country, local planners are still deeply reluctant to give the go-ahead to a development which they fear may disrupt the existing local retail pattern. Curiously enough, that fear seems to have evaporated to a large degree at the higher planning levels.

According to Mr. Lee, who has monitored all superstore planning applications for the past seven or eight years, the top level of planners—up to Mr. Peter Shore, the Secretary of State—appear to have become much more reconciled to hypermarkets in the past couple of years.

Even where they have been opposed by the local council, hypermarkets are now receiving their permissions after public inquiries conducted by Department of Environment inspectors. Since 1976, Mr. Shore has not reversed a single permission recommended by his Inspectorate.

Christine Moir

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# Changing patterns in distribution

GROCERY DISTRIBUTION in Britain continues to be in a state of flux. Changes in the pattern of retailing—leading to greater consolidation—along with other factors such as rising transport costs have led to a greater recognition of the importance of distribution systems.

The grocery trade is responsible for about two-thirds of the food sales in Britain together with an increasing range of non-foods.

Last year about £28bn was spent on food, about 20 per cent of total consumer expenditure. Events such as the Jorry drivers' dispute last winter have focused greater public attention on physical distribution and underlined the industry's dependence on road transport.

In tonnage terms the food, drink and tobacco sector forms a growing proportion of the goods moved in the UK. In 1978, the sector accounted for 17.6 per cent of the total tonnage moved in Britain and was second only to minerals. More than 99 per cent of this 306m tonnes of food was carried by road.

The short-life nature of many goods, together with the growing emphasis on speed and economy, has meant that the grocery trade has become more dependent than most on reliable distribution systems and, in some instances, on direct factory-to-store deliveries.

The growth of the major chain store grocery retailers—largely at the expense of the smaller, independent retailer—has led to a change in the balance of power between retailers and suppliers with the retailers taking more and more of the responsibility for distribution.

Centralised distribution systems have facilitated growing consolidation, permitted greater control over the movement of goods and led to innovations in the use of computers and automation, bulk handling, standardisation and communications.

This shift away from the more traditional distribution systems has led the professional distribution companies to seek specialised roles providing a total service ranging to the customer.

of the costs and problems of distribution. For this reason it is often difficult to establish the true costs of distribution in the grocery trade. Figures quoted by the Institute of Grocery Distribution in a series of case studies, published last month, suggest that distribution accounts for 16 per cent of total retail turnover. This would suggest that the cost to the grocery trade could be about £1.8bn a year.

There are, however, wide variations in the estimates of retail turnover within the industry. Some of these variations are undoubtedly attributable to the use of different distribution methods and, in some instances, to economies of scale.

The search for economies of scale has led most multiple groups and co-operative societies to develop centralised physical distribution systems, a trend which is likely to continue.

In 1967, the then Supermarket Association estimated that 60 per cent of all manufacturers' grocery deliveries were made to retailers' own depots, the remaining 40 per cent being delivered direct to branches.

This figure has probably increased in recent years with the continuing growth of multiples and in 1976 it was estimated that 65 to 70 per cent of grocery stock passes through a centralised warehouse system provided either by a wholesaler, retailer or professional carrier.

However, some multiples, particularly Asda Stores and Carrefour, operate outlets sufficiently large to justify complete direct delivery and have no depots of their own.

The fact that the multiples now control more than 50 per cent of total grocery turnover, with Sainsbury and Tesco together accounting for almost 25 per cent of the packaged grocery market, has—and will continue to have—a major impact on distribution trends.

At the same time, the growth in the size of stores has eased some of the problems of congestion, delays and delivery restrictions associated with some of the smaller shops. Nevertheless, problems encountered by suppliers and professional carriers in delivering to stores remains a common

complaint. This has led to studies on the problems of delivery by such bodies as the Lorries and the Environment Committee which, in a report published in March, recommends the increased use of consolidation to improve load efficiency.

The committee said that overcoming problems at the point of delivery would "save a substantial proportion of distribution costs."

Top of the list of possible cost savings comes the elimination of queuing to deliver—this, it is claimed, would save 12.25 per cent followed by better access and shop design and the use of larger vehicles (11.25 per cent savings).

Greater use of consolidation (defined as combining products for delivery) could reduce distribution costs by up to 50 per cent. This might be achieved by the increased use of retailer distribution depots, parcel deliveries and professional distribution services and by co-operation between manufacturers.

The committee, investigating consolidation, found that 46 per cent of the value of deliveries for delivery) could be made in retailers' own vehicles with professional distribution service companies and parcel operators accounting for 12 per cent of the remainder. Manufacturers' vehicles account for 27 per cent of total deliveries, but make smaller drops per delivery.

Smaller capital investment in transport, economies of scale and a time lag before cost increases were passed on were suggested as the advantages of consolidation. Disadvantages, including the loss of direct control of delivery, could be overcome by internal reorganisation or buying specialised services from a distribution company.

The committee's findings will be welcome to the professional distributors such as SPD, part of the Anglo-Dutch Unilever Group, and Cory Distribution who have been fighting hard to retain their share of the grocery distribution trade against other operators and own account systems. In particular, the committee said that there "appeared to be opportunities" for many more manufacturers to use independent distribution companies for at least part of their deliveries.

The advantages of the specialised professional distribution company lies in its ability to provide a full service to the

retailer. SPD, for example, operates more than 600 vans from 30 depots and delivers to more than 125,000 outlets. In response to the pressure on its traditional grocery base, SPD has diversified providing a series of specialist services and a full integrated distribution package to customers including a range of management and sales support systems involving for example computer-aided accounting and stock control.

The factors now affecting the changes in the distribution system were analysed in some detail by Mr. H. Smeeton, managing director of Cory Distribution in a paper presented to the Institute, last November.

Mr. Smeeton identified the growth in own-label brands—which do not need to travel the same distribution route as branded goods—as one factor leading to a growth in direct deliveries to multiple retailers but to an increased use of consolidation by the smaller stores.

Other factors affecting the choice of a distribution system include the growth of the non-food sector in supermarkets, palletised loads and the emergence of limited-line discount stores.

It would, however, be dangerous to suggest that all these factors are pulling in the same

direction. The grocery distribution system is complex and subject to often conflicting demands. The continued growth of the large multiple would tend to support the need for greater use of depot consolidation and in some cases for direct distribution.

Whether own-account vehicles or the hire and reward operator is used for this operation will depend on a second range of variables including the vulnerability of the system to industrial disruption, the need to release capital from transport assets for other uses such as store development and the importance attached to vertical integration.

Environmental problems, urban congestion and store access also have an impact on the distribution system chosen. The fate of the grocery distribution network is also closely tied in with that of the road haulage industry as a whole. Higher oil prices and fierce competition have forced the industry to face up to low profit margins—identified in the Price Commission report last year. While the Commission's contention that there is room for increased operating efficiency is not shared by the industry, the political sensitivity of food prices—and therefore the costs of distribution—is likely to ensure the

issue continues to command attention. The shape of Britain's grocery distribution system in the future will ultimately depend on a wide range of factors but will inevitably follow changes in retailing and the relationship between retailers and manufacturers.

However, because of the differing requirements of retailers, it is likely that there will be a need for a mix of systems and a continued, perhaps strengthened, role for the specialist professional carrier alongside own-account vehicles and other operators.

Paul Taylor

## Wholesalers face more mergers

THE RACE began in the late fifties, sped through the sixties and closed in—what appeared to be—the finishing line in the mid-seventies. The wholesale grocery industry, however, still faces further mergers and rationalisation—as the Wheat-sheaf takeover by Linfood last year indicated, when the prices war in the High Street drew the links between smaller grocers even closer together.

The pace has now slowed down, however, and the future will see few, albeit large mergers.

Wholesale grocers have been hit, not only by the growth of supermarkets, the price war between the multiples and a switch in allegiance of shoppers. The small grocer, a traditional outlet for wholesalers, accounts for an increasingly lower proportion of the total volume of grocery sales.

In 1968, there were 116,336 independent grocers in Britain, out of a total of 150,000. By 1968, the number had fallen to 96,451 and while there have been no official figures since then, estimates put the decline at 78,000 in 1975 and less than 70,000 last year. Independent operators have thus seen their market share of the grocery industry fall from 54 per cent in the 1950s to 36 per cent.

Wholesalers retaliated by moving into non-food lines, spreading their expertise into the cash and carry and catering business. They improved efficiency which meant closing old, inconveniently-sited warehouses, building and extending new single-storey depots and using new technology and mechanical-handling equipment. Even so, wholesale grocery is a high volume/low margin business. Since 1976 margins have been squeezed considerably and many groups are now operating on a net profit of less than 1 per cent of turnover.

The latest takeover merging Linfood and Wheat-sheaf represents one of the biggest to date—worth £34m. Together sales are worth £753m covering a broad range of activities such as independent grocer supplies, cash and carry, catering supplies and retail.

The dropping of trading stamps by Tesco last June and the cutting of margins had forced a change in customer loyalties. Tesco and Sainsbury have increased their combined market share of the packaged grocery market by around 5 per cent taking £500m of sales away from other grocers. It has been the thousands of smaller grocers that have fared worst.

Budgett was the largest with 537,000 sq ft of warehouse space—sold by Barker and Dobson to Warriner and Mason.

Oriel Foods took on a number of wholesaling operations including Carryway, Morris and James, and A. B. Gibson.

Part of the reason for the disappearance of these firms has been the investment by outside interests. Booker McConnell, an international company with multifarious interests entered the food industry as part of its diversification programme. It took over Alfred Button, Gardner's (Bristol), Arthur Richardson and James Harper and integrated them in mid-1975 into one wholesale operation called Booker Belmont. RCA is Oriel's parent company while International Stores, part of BAT stock—on—Keenley and Tonge, Warriner and Mason is part of Gallaher's operations.

These major operators divide into three categories: cash and carry groups, with voluntary group affiliations, cash and carry groups without voluntary links and independent multiple wholesalers.

In the voluntary-linked group, Trademarkets (VG), Keenest (Mace) and Value Centre (Spar) are among the biggest. Before Kearley and Tonge took over Capital's Alliance business, Capital was the largest, with £320m sales in 1977.

The number of depots in the cash and carry line does not necessarily mean greater turnover. Keenest has around 1,000 depots but the lowest sales per depot at an average of £2m a depot. ICCG, with around 43 depots has, on the other hand, pushed sales per depot above the national average to £3.72m.

Makro emerges as the clear leader: with only six and one-half depots operating last year its average sales per depot amount to £28.5m. Makro, the Dutch-based cash and carry group (preferring the word self-service to cash and carry), is one of the biggest after Nurdin and Peacock. Sales last year rose by 32 per cent to £178m from the £134m the previous year.

The group claims its share of the cash and carry business has risen from 7.5 per cent in 1977 to over 9 per cent. Its warehouses can stock up to 25,000 different lines and have parking for up to 1,000 cars. Expansion in the past year included a new Makro centre at Glasgow and later this year a 20,000 sq ft extension to the group's Newcastle centre will be opened, bringing total floor space to 97,000 sq ft.

Cash-and-carry centres—particularly the bigger ones—have diversified into non-food lines. About half of Makro's sales are in non-foods. Most consider that a minimum of 2,500 sq ft for non-food is essential and that a suitable depot must have high food turnover and traffic flow.

Coleen Toomey

## IN ONE CO-OP PROMOTION YOU CAN REACH HALF OF BRITAIN'S HOUSEWIVES

### Britain's Biggest Food Retailer

The Co-op is Britain's biggest food retailer by a long way. Food sales were £2,340.4m last year, up from £2,128.3m in 1977 (Department of Industry Figures). No other grocery group can give you that.

The Co-op accounts for almost 18% of packaged grocery sales. No other grocery group can give you that. And at a time when others are proudly claiming a 13% national share, the Co-op exceeds that level even in its weakest area.

There are over 7,000 Co-op food shops all over Britain. No other food retailer can give you so many shops, such national coverage, such access to so many customers.

### Those are the Facts. Some of the Facts

There are more. Such as the fact that younger housewives are shopping at the Co-op. Nearly half of all housewives between 25 and 35 to be more precise.

The Co-op can offer food manufacturers more younger shoppers than any other grocery group.

The Co-op can offer more ABC1 shoppers than any other grocery group.

The Co-op can offer more children, more dog owners, more well, just more of so many customers than any other food group.

The Co-op likes to promote national brands. So through the Co-op manufacturers get the lion's share of Britain's biggest food sales.

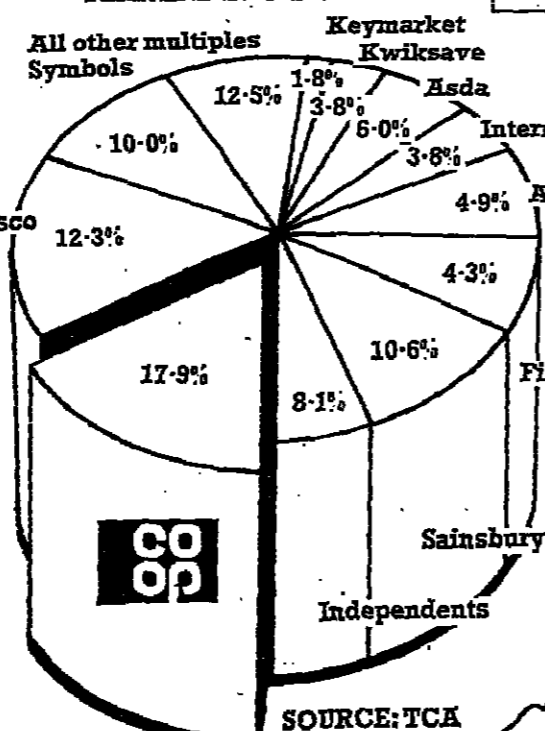
### National Promotions - Regionally Implemented

Your brand can be backed by national advertising programmes which penetrate into every part of Britain. National advertising which is regionally implemented in a more clearly defined, sophisticated way than ever before. Price promotions can be

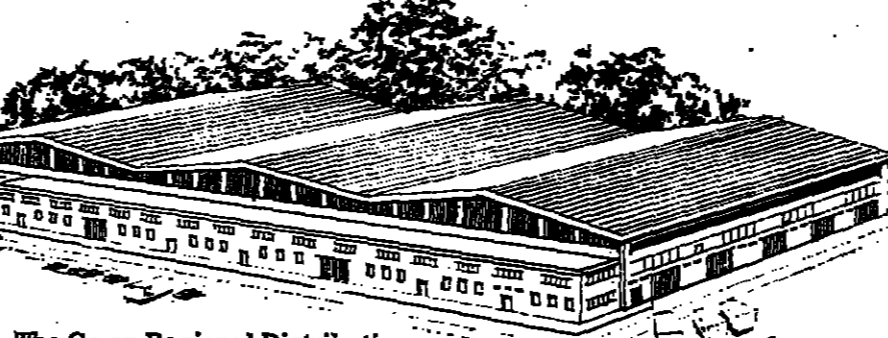
programmed in specific TV areas or geared to local press advertising. Localised activity, especially in the printed media, has emerged from several shopping studies as the consumer's first choice when seeking guidance on current grocery offers or new product launches. A Co-op promotion is a natural for national support, exploiting regional strengths or correcting weaknesses of existing products.

Food manufacturers get more than sales volume with the Co-op. They get the biggest single national or regional sampling opportunity. So manufacturers can maximise the effectiveness of their own advertising activity by linking it to a Co-op promotion, reaching at least 50% of housewives at a time when their product is competitively priced.

### PACKAGE GROCERY SHARES - YEAR END DECEMBER 1978

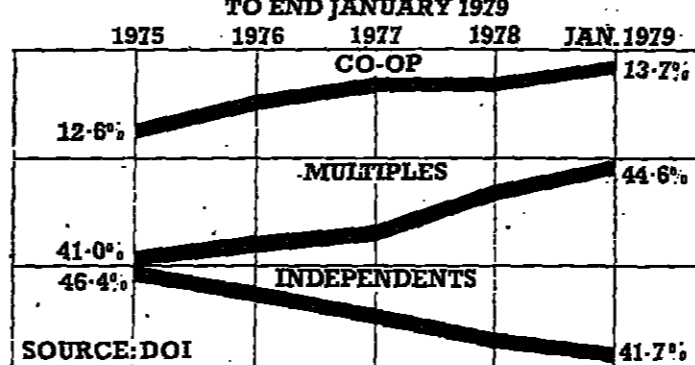


During this period when the grocery price war has remained intense, the Co-op retained its greatest slice of the market.



The Co-op Regional Distribution Centres offer manufacturers major cost savings.

### FOOD TRADE MOVING ANNUAL SHARES TO END JANUARY 1979



SOURCE: DOI

In 1978, the Co-op Food sales increased from £2,128.2m to £2,340.4m.



Price promotions can be geared to specific TV areas or featured in local press advertising.

### Your Brand in every shop type

The Co-op uniquely offers distribution and promotional opportunities for your brand in every kind of shop—from the handy corner shop to the giant supermarket. Shoppers are crowding into Co-op Superstores and Supermarkets—already there are over 70 Co-op stores operating to a Superstore price structure and there are more on the way. The year end will see about 80 Superstores forming a national network and plans are to double the number over the next 5 years.

Alongside Superstore development Co-ops are enlarging and modernising so that the 1,000 larger shops already do a major share of the national trade in packaged groceries on a national scale. Smaller Co-ops serve local and daily needs. The Co-op really does have it all to offer.

### Cost-Effective Distribution

Think of the soaring costs of a mechanised fleet... the soaring cost of petrol; the soaring cost of property; the soaring cost of sales staff; the soaring cost of labour; the soaring cost of maintenance; then think about the Co-op distribution service, increasingly now based on Regional Distribution Centres. RDCs mean big savings in distribution.

Co-op Regional Distribution Centres are strategically placed, highly efficient, computer controlled modern warehouses which enable manufacturers to make bulk deliveries to the minimum number of receiving points. Individual shop distribution is then undertaken by the RDCs. Manufacturers therefore benefit considerably from simplified administration and improved cost efficiency.

There are 18 RDCs throughout the country which today serve Retail Societies accounting for 50% of total Co-op trade and 60% by this year end.

### Everybody's kind of shop

Shopping habits are changing. Shoppers are shopping less often. They fill their freezers and store cupboards with bulk purchases. So they need the large shops. But then they need to top up their supplies day to day. They need the neighbourhood shops.

So the Co-op meets their needs in every way, from Superstores, Supermarkets, medium size shops to smaller local shops.

Co-op customers know they get a share in Co-op profits, a little something back for their spending—whether through dividends, stamps or attractive prices.

Shoppers care about Co-ops because Co-ops care about shoppers.

## STILL BY FAR BRITAIN'S No1 FOOD RETAILER

An announcement by the Co-operative Wholesale Society on behalf of the Co-operative Movement.



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# FT SHARE INFORMATION SERVICE

## BRITISH FUNDS

**"Shorts" (Lives up to Five Years)**

Code	Stock	Price	Yield
17M	17M Treasury 3 1/2	97 1/2	8.1
17N	17N Treasury 4 1/4	104 1/2	7.4
17P	17P Treasury 5 1/4	112 1/2	6.8
17Q	17Q Treasury 6 1/4	120 1/2	6.2
17R	17R Treasury 7 1/4	128 1/2	5.6
17S	17S Treasury 8 1/4	136 1/2	5.0
17T	17T Treasury 9 1/4	144 1/2	4.4
17U	17U Treasury 10 1/4	152 1/2	3.8
17V	17V Treasury 11 1/4	160 1/2	3.2
17W	17W Treasury 12 1/4	168 1/2	2.6
17X	17X Treasury 13 1/4	176 1/2	2.0
17Y	17Y Treasury 14 1/4	184 1/2	1.4
17Z	17Z Treasury 15 1/4	192 1/2	0.8

## AMERICANS

Code	Stock	Price	Yield
1A	1A American 1980	100	10.0
1B	1B American 1981	105	9.5
1C	1C American 1982	110	9.0
1D	1D American 1983	115	8.5
1E	1E American 1984	120	8.0
1F	1F American 1985	125	7.5
1G	1G American 1986	130	7.0
1H	1H American 1987	135	6.5
1I	1I American 1988	140	6.0
1J	1J American 1989	145	5.5
1K	1K American 1990	150	5.0
1L	1L American 1991	155	4.5
1M	1M American 1992	160	4.0
1N	1N American 1993	165	3.5
1O	1O American 1994	170	3.0
1P	1P American 1995	175	2.5
1Q	1Q American 1996	180	2.0
1R	1R American 1997	185	1.5
1S	1S American 1998	190	1.0
1T	1T American 1999	195	0.5
1U	1U American 2000	200	0.0

## Over Fifteen Years

Code	Stock	Price	Yield
2A	2A American 1980	100	10.0
2B	2B American 1981	105	9.5
2C	2C American 1982	110	9.0
2D	2D American 1983	115	8.5
2E	2E American 1984	120	8.0
2F	2F American 1985	125	7.5
2G	2G American 1986	130	7.0
2H	2H American 1987	135	6.5
2I	2I American 1988	140	6.0
2J	2J American 1989	145	5.5
2K	2K American 1990	150	5.0
2L	2L American 1991	155	4.5
2M	2M American 1992	160	4.0
2N	2N American 1993	165	3.5
2O	2O American 1994	170	3.0
2P	2P American 1995	175	2.5
2Q	2Q American 1996	180	2.0
2R	2R American 1997	185	1.5
2S	2S American 1998	190	1.0
2T	2T American 1999	195	0.5
2U	2U American 2000	200	0.0

## Undated

Code	Stock	Price	Yield
3A	3A American 1980	100	10.0
3B	3B American 1981	105	9.5
3C	3C American 1982	110	9.0
3D	3D American 1983	115	8.5
3E	3E American 1984	120	8.0
3F	3F American 1985	125	7.5
3G	3G American 1986	130	7.0
3H	3H American 1987	135	6.5
3I	3I American 1988	140	6.0
3J	3J American 1989	145	5.5
3K	3K American 1990	150	5.0
3L	3L American 1991	155	4.5
3M	3M American 1992	160	4.0
3N	3N American 1993	165	3.5
3O	3O American 1994	170	3.0
3P	3P American 1995	175	2.5
3Q	3Q American 1996	180	2.0
3R	3R American 1997	185	1.5
3S	3S American 1998	190	1.0
3T	3T American 1999	195	0.5
3U	3U American 2000	200	0.0

## INTERNATIONAL BANK

Code	Stock	Price	Yield
4A	4A International Bank	100	10.0
4B	4B International Bank	105	9.5
4C	4C International Bank	110	9.0
4D	4D International Bank	115	8.5
4E	4E International Bank	120	8.0
4F	4F International Bank	125	7.5
4G	4G International Bank	130	7.0
4H	4H International Bank	135	6.5
4I	4I International Bank	140	6.0
4J	4J International Bank	145	5.5
4K	4K International Bank	150	5.0
4L	4L International Bank	155	4.5
4M	4M International Bank	160	4.0
4N	4N International Bank	165	3.5
4O	4O International Bank	170	3.0
4P	4P International Bank	175	2.5
4Q	4Q International Bank	180	2.0
4R	4R International Bank	185	1.5
4S	4S International Bank	190	1.0
4T	4T International Bank	195	0.5
4U	4U International Bank	200	0.0

## CORPORATION LOANS

Code	Stock	Price	Yield
5A	5A Corporation Loans	100	10.0
5B	5B Corporation Loans	105	9.5
5C	5C Corporation Loans	110	9.0
5D	5D Corporation Loans	115	8.5
5E	5E Corporation Loans	120	8.0
5F	5F Corporation Loans	125	7.5
5G	5G Corporation Loans	130	7.0
5H	5H Corporation Loans	135	6.5
5I	5I Corporation Loans	140	6.0
5J	5J Corporation Loans	145	5.5
5K	5K Corporation Loans	150	5.0
5L	5L Corporation Loans	155	4.5
5M	5M Corporation Loans	160	4.0
5N	5N Corporation Loans	165	3.5
5O	5O Corporation Loans	170	3.0
5P	5P Corporation Loans	175	2.5
5Q	5Q Corporation Loans	180	2.0
5R	5R Corporation Loans	185	1.5
5S	5S Corporation Loans	190	1.0
5T	5T Corporation Loans	195	0.5
5U	5U Corporation Loans	200	0.0

## LOANS

Code	Stock	Price	Yield
6A	6A Loans	100	10.0
6B	6B Loans	105	9.5
6C	6C Loans	110	9.0
6D	6D Loans	115	8.5
6E	6E Loans	120	8.0
6F	6F Loans	125	7.5
6G	6G Loans	130	7.0
6H	6H Loans	135	6.5
6I	6I Loans	140	6.0
6J	6J Loans	145	5.5
6K	6K Loans	150	5.0
6L	6L Loans	155	4.5
6M	6M Loans	160	4.0
6N	6N Loans	165	3.5
6O	6O Loans	170	3.0
6P	6P Loans	175	2.5
6Q	6Q Loans	180	2.0
6R	6R Loans	185	1.5
6S	6S Loans	190	1.0
6T	6T Loans	195	0.5
6U	6U Loans	200	0.0

## FOREIGN BONDS & RAILS

Code	Stock	Price	Yield
7A	7A Foreign Bonds & Rails	100	10.0
7B	7B Foreign Bonds & Rails	105	9.5
7C	7C Foreign Bonds & Rails	110	9.0
7D	7D Foreign Bonds & Rails	115	8.5
7E	7E Foreign Bonds & Rails	120	8.0
7F	7F Foreign Bonds & Rails	125	7.5
7G	7G Foreign Bonds & Rails	130	7.0
7H	7H Foreign Bonds & Rails	135	6.5
7I	7I Foreign Bonds & Rails	140	6.0
7J	7J Foreign Bonds & Rails	145	5.5
7K	7K Foreign Bonds & Rails	150	5.0
7L	7L Foreign Bonds & Rails	155	4.5
7M	7M Foreign Bonds & Rails	160	4.0
7N	7N Foreign Bonds & Rails	165	3.5
7O	7O Foreign Bonds & Rails	170	3.0
7P	7P Foreign Bonds & Rails	175	2.5
7Q	7Q Foreign Bonds & Rails	180	2.0
7R	7R Foreign Bonds & Rails	185	1.5
7S	7S Foreign Bonds & Rails	190	1.0
7T	7T Foreign Bonds & Rails	195	0.5
7U	7U Foreign Bonds & Rails	200	0.0

## BONDS & RAILS—Cont.

Code	Stock	Price	Yield
8A	8A Bonds & Rails	100	10.0
8B	8B Bonds & Rails	105	9.5
8C	8C Bonds & Rails	110	9.0
8D	8D Bonds & Rails	115	8.5
8E	8E Bonds & Rails	120	8.0
8F	8F Bonds & Rails	125	7.5
8G	8G Bonds & Rails	130	7.0
8H	8H Bonds & Rails	135	6.5
8I	8I Bonds & Rails	140	6.0
8J	8J Bonds & Rails	145	5.5
8K	8K Bonds & Rails	150	5.0
8L	8L Bonds & Rails	155	4.5
8M	8M Bonds & Rails	160	4.0
8N	8N Bonds & Rails	165	3.5
8O	8O Bonds & Rails	170	3.0
8P	8P Bonds & Rails	175	2.5
8Q	8Q Bonds & Rails	180	2.0
8R	8R Bonds & Rails	185	1.5
8S	8S Bonds & Rails	190	1.0
8T	8T Bonds & Rails	195	0.5
8U	8U Bonds & Rails	200	0.0

## AMERICANS

Code	Stock	Price	Yield
9A	9A Americans	100	10.0
9B	9B Americans	105	9.5
9C	9C Americans	110	9.0
9D	9D Americans	115	8.5
9E	9E Americans	120	8.0
9F	9F Americans	125	7.5
9G	9G Americans	130	7.0
9H	9H Americans	135	6.5
9I	9I Americans	140	6.0
9J	9J Americans	145	5.5
9K	9K Americans	150	5.0
9L	9L Americans	155	4.5
9M	9M Americans	160	4.0
9N	9N Americans	165	3.5
9O	9O Americans	170	3.0
9P	9P Americans	175	2.5
9Q	9Q Americans	180	2.0
9R	9R Americans	185	1.5
9S	9S Americans	190	1.0
9T	9T Americans	195	0.5
9U	9U Americans	200	0.0

## AMERICANS

Code	Stock	Price	Yield
10A	10A Americans	100	10.0
10B	10B Americans	105	9.5
10C	10C Americans	110	9.0
10D	10D Americans	115	8.5
10E	10E Americans	120	8.0
10F	10F Americans	125	7.5
10G	10G Americans	130	7.0
10H	10H Americans	135	6.5
10I	10I Americans	140	6.0
10J	10J Americans	145	5.5
10K	10K Americans	150	5.0
10L	10L Americans	155	4.5
10M	10M Americans	160	4.0
10N	10N Americans	165	3.5
10O	10O Americans	170	3.0
10P	10P Americans	175	2.5
10Q	10Q Americans	180	2.0
10R	10R Americans	185	1.5
10S	10S Americans	190	1.0
10T	10T Americans	195	0.5
10U	10U Americans	200	0.0

## Over Fifteen Years

Code	Stock	Price	Yield
11A	11A Americans	100	10.0
11B	11B Americans	105	9.5
11C	11C Americans	110	9.0
11D	11D Americans	115	8.5
11E	11E Americans	120	8.0
11F	11F Americans	125	7.5
11G	11G Americans	130	7.0
11H	11H Americans	135	6.5
11I	11I Americans	140	6.0
11J	11J Americans	145	5.5
11K	11K Americans	150	5.0
11L	11L Americans	155	4.5
11M	11M Americans	160	4.0
11N	11N Americans	165	3.5
11O	11O Americans	170	3.0
11P	11P Americans	175	2.5
11Q	11Q Americans	180	2.0
11R	11R Americans	185	1.5
11S	11S Americans	190	1.0
11T	11T Americans	195	0.5
11U	11U Americans	200	0.0

## Undated

Code	Stock	Price	Yield
12A	12A Americans	100	10.0
12B	12B Americans	105	9.5
12C	12C Americans	110	9.0
12D	12D Americans	115	8.5
12E	12E Americans	120	8.0
12F	12F Americans	125	7.5
12G	12G Americans	130	7.0
12H	12H Americans	135	6.5
12I	12I Americans	140	6.0
12J	12J Americans	145	5.5
12K	12K Americans	150	5.0
12L	12L Americans	155	4.5
12M	12M Americans	160	4.0
12N	12N Americans	165	3.5
12O	12O Americans	170	3.0
12P	12P Americans	175	2.5
12Q	12Q Americans	180	2.0
12R	12R Americans	185	1.5
12S	12S Americans	190	1.0
12T	12T Americans	195	0.5
12U	12U Americans	200	

INDUSTRIALS—Continued

Table of industrial stocks including companies like British Petroleum, Shell, and ICI, with columns for stock name, price, and other financial metrics.

INSURANCE—Continued

Table of insurance stocks including companies like Royal Indemnity, Commercial Union Assurance, and Overseas Assurance.

PROPERTY—Continued

Table of property stocks including companies like British Land, Anglo-Continental, and Anglo-Continental.

INVESTMENT TRUSTS—Cont.

Table of investment trusts including companies like British Venture, Anglo-Continental, and Anglo-Continental.

FINANCE, LAND—Continued

Table of finance and land stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

IBM COMPUTERS advertisement with logo and contact information for CIG Computers Limited.

MINES—Continued advertisement for Australian mines, listing various mining companies and their shares.

OVERSEAS TRADERS advertisement listing various international trading companies and their services.

TEAS advertisement listing various tea brands and their prices.

REGIONAL MARKETS advertisement listing various regional market indices and their values.

LEISURE

Table of leisure stocks including companies like British Leisure, Anglo-Continental, and Anglo-Continental.

MOTORS, AIRCRAFT TRADES

Table of motor and aircraft trade stocks including companies like British Leyland, Anglo-Continental, and Anglo-Continental.

SHIPPING

Table of shipping stocks including companies like British Shipping, Anglo-Continental, and Anglo-Continental.

SHOES AND LEATHER

Table of shoes and leather stocks including companies like British Shoes, Anglo-Continental, and Anglo-Continental.

SOUTH AFRICANS

Table of South African stocks including companies like Anglo-Continental, Anglo-Continental, and Anglo-Continental.

TEXTILES

Table of textile stocks including companies like British Textiles, Anglo-Continental, and Anglo-Continental.

COMPONENTS

Table of component stocks including companies like British Components, Anglo-Continental, and Anglo-Continental.

GARAGES AND DISTRIBUTORS

Table of garage and distributor stocks including companies like British Garages, Anglo-Continental, and Anglo-Continental.

NEWSPAPERS, PUBLISHERS

Table of newspaper and publisher stocks including companies like British Newspapers, Anglo-Continental, and Anglo-Continental.

PAPER, PRINTING ADVERTISING

Table of paper, printing, and advertising stocks including companies like British Paper, Anglo-Continental, and Anglo-Continental.

TOBACCO

Table of tobacco stocks including companies like British Tobacco, Anglo-Continental, and Anglo-Continental.

TRUSTS, FINANCE, LAND

Table of trusts, finance, and land stocks including companies like British Trusts, Anglo-Continental, and Anglo-Continental.

PROPERTY

Table of property stocks including companies like British Property, Anglo-Continental, and Anglo-Continental.

FINANCE, LAND

Table of finance and land stocks including companies like British Finance, Anglo-Continental, and Anglo-Continental.

FINANCE

Table of finance stocks including companies like British Finance, Anglo-Continental, and Anglo-Continental.

FINANCE

Table of finance stocks including companies like British Finance, Anglo-Continental, and Anglo-Continental.

FINANCE

Table of finance stocks including companies like British Finance, Anglo-Continental, and Anglo-Continental.

FINANCE

Table of finance stocks including companies like British Finance, Anglo-Continental, and Anglo-Continental.

OILS

Table of oil stocks including companies like British Oils, Anglo-Continental, and Anglo-Continental.

RUBBERS AND SISALS

Table of rubber and sisal stocks including companies like British Rubbers, Anglo-Continental, and Anglo-Continental.

TEAS

Table of tea stocks including companies like British Teas, Anglo-Continental, and Anglo-Continental.

MINES

Table of mine stocks including companies like British Mines, Anglo-Continental, and Anglo-Continental.

MINES

Table of mine stocks including companies like British Mines, Anglo-Continental, and Anglo-Continental.

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MINES—Continued advertisement for Australian mines, listing various mining companies and their shares.

OVERSEAS TRADERS advertisement listing various international trading companies and their services.

TEAS advertisement listing various tea brands and their prices.

REGIONAL MARKETS advertisement listing various regional market indices and their values.

FINANCE advertisement listing various financial indices and their values.

OPTIONS 3-month Call Rates advertisement listing various options and call rates.

HAD LOBBY LEADER
THE MOST EFFICIENT AND WIDELY USED
GEORGE COHEN MACHINERY LTD
23-25 SUNBEAM ROAD LONDON
NW10 6JP TELEPHONE 01-963 6588

Sears puts off price rises

By David Buchan, in Washington

SEARS ROEBUCK, the biggest U.S. retailing chain, is to postpone some of its planned price increases this week after an appeal by President Carter.

The President spoke to top Sears executives on Friday, after the bad news that consumer prices had risen in the first three months of this year at an annual rate of 13 per cent, the fastest pace for four and a half years.

The calculation by the White House, which has little except public opinion to back its policy, was that big concerns selling directly to the public, could not afford to be branded as flouting the price guidelines.

Two companies which have put off back price increases with less fuss were Aluminum Company of America (ALCOA) and Scott Paper.

U.S. agrees Japan N-fuel shipment

By David Fishlock, Science Editor

THE U.S. Administration has approved the export of another shipment of spent nuclear fuel for Japan for reprocessing at Windscale in Britain and La Hague in France.

The U.S. Nuclear Regulatory Commission has signed the documents giving approval for the Japanese fuel—originally enriched by the U.S. Government—to be reprocessed.

One final hurdle remains—approval from Congress, before which the MB-10 documents, requesting export permission, must lie for 15 days of continuous session.

There are signs of a new agreement between the U.S. and Japan which may prevent future delays in approving transfers of spent fuel.

This would have created serious difficulties for two Japanese electrical companies, Tokai Electric Power and Kansai Electric Power, which have reactors whose spent fuel storage capacity is now almost fully utilized.

Iran holds down oil exports

BY SIMON HENDERSON IN TEHRAN

IRAN IS to hold down its oil exports to about 3m barrels a day, which is less than two-thirds of pre-revolution output, and says it can produce this without foreign oil exports.

In its clearest policy statement yet, the National Iranian Oil Company said it had been instructed by its Government not to exceed total production of 4m barrels a day, including domestic demand production.

The shortfall from pre-revolutionary production levels of more than 6m b/d is equal to between 4 per cent and 5 per cent of world crude output.

But the 4m b/d production figure is entirely in line with oil industry forecasts and, while oil supplies are certain to be tight this winter, it is unlikely to lead to an energy crisis in the West.

Earlier this month Shell, which has just signed a contract to lift 235,000 b/d from Iran, said that by the end of the third

quarter of this year, it expected oil stocks in the West to be down on last year by seven or eight days.

Shell said there would have to be reductions in oil consumption—but that it would be possible to avoid a crisis with careful conservation.

Exxon, the U.S.-based oil major, has also warned of severe oil shortages this winter if steps are not taken to reduce consumption.

Last week British Petroleum, worst hit of all the oil companies by the revolution in Iran, started implementing its plan to make further cutbacks to third-party customers.

Like Shell, BP has signed a contract with Iran and this will give the company 450,000 barrels a day of crude.

deal for 5,000 b/d to the 450,000 b/d sold to British Petroleum. BP previously purchased 1.2m b/d when it led a consortium of companies using nearly 1,000 experts to produce most of Iran's oil.

In his breakdown of the contracts signed, Mr. Nazih said 21 had been with independent European, American and Japanese companies, totalling 550,000 b/d, eight with former members of the consortium.

Twenty more agreements were in the process of being signed with companies in India, Spain, West Germany, Sri Lanka, and East Europe for a total of 700,000 b/d.

The balance of production expected to fluctuate between 3.5 and 4m b/d is made up of spot sales and domestic demand of 700,000 barrels.

Industry experts say that on these figures some former

members of the consortium, like Exxon and Texaco, will not be able to buy as much they would like.

BP, Shell, Compagnie Francaise des Petroles and Gulf alone have already arranged to buy 945,000 b/d of the total available to former consortium members of 1.1m b/d.

The contract price is believed to be around \$16.47 per barrel for light crude and \$16.04 for heavy crude.

This style of selling, said to be unusual in the oil industry, has meant that the American company Exxon is reported to be buying an intended 200,000 b/d.

Mr. Nazih repeated that Iran would not sell oil to Israel or South Africa.



Shell and BP must surrender Rhodesia oil data to police

BY SUE CAMERON

BRITISH PETROLEUM and Shell have been served with notices requiring them to give all documents concerned with Rhodesia oil supplies to Scotland Yard.

The notices, which were served at the behest of Sir Thomas Borchert, the Director of Public Prosecutions, follows the completion of a police report on alleged sanctions breaking by Shell and BP, which has now been sent to the DPP.

The Bingham report, published last September, con-

cluded that southern African subsidiaries of Shell and BP sold oil directly to middlemen acting for the Rhodesian Government in seven of the years following the imposition of sanctions in 1965.

It also found that for a further three years, the BP and Shell subsidiaries were involved in a swap arrangement with Total of France which enabled Rhodesia to be supplied with oil.

The Bingham report further disclosed that the Labour Government had been told of the sanctions breaches in 1968.

Shell but refused to say when the deadline was.

The two companies said that the notices had been served on them on Friday night, and both said they would be complying with them.

The serving of the notices follows the completion of a police report on alleged sanctions breaking by Shell and BP, which has now been sent to the DPP.

Tory stars raise Equity

Mrs. Thatcher, flanked by Lord Thorneycroft and Mr. Jim Prior, acknowledges the applause at the end of yesterday's star-studded spectacular at the Wembley Conference Centre, North London, when a small contingent of Equity members led the assembled 2,000 Tory trade unionists in a special version of "Hello Dolly".

The song, which contained such rousing sentiments as "you're going strong Maggie, won't be long Maggie, till you that turn that key, then Mrs. T. you'll see Big Ben" appears to have taken over from last week's Conservative anthem of "Blue is the colour, Maggie is the name."

Big foreign currency inflows

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE AMOUNT of foreign currency inflows into the UK this month, most of it before the Bank of England's decision on April 5 to stop large-scale intervention to check exchange rate rises.

This is expected to be shown by the official reserve figures for April, due out on Wednesday. These are the only remaining major economic statistics due before the election.

The direction of change in the published reserves total is still unclear because there may have been sizeable repayments of overseas debt, as well as some new borrowing.

Reserves stood at \$21,958m (\$19,770m) at the end of March.

In the first few days of April inflows may have amounted to several hundred million dollars following in underlying rise in the reserves of \$1bn in March.

Concern about the possible implications of these inflows for domestic monetary control led to a change in intervention tactics on April 5. This was followed by a sharp, but short-lived rise in sterling.

The Bank has not, however, completely withdrawn. Its policy appears to have been to try to keep the market guessing about its objectives.

The other main influence on the reserves this month will be the restructuring of overseas debt.

Mr. Denis Healey, the Chancellor, announced in his caretaker Budget speech on April 3 that \$1bn would be repaid to the International Monetary Fund this year; it is not yet clear when this will occur.

There were, for example,

Navy £70m satellite deal

BY JOHN LLOYD

A NEW, satellite-based communications system is to be introduced soon to a number of larger British naval vessels under a contract worth £70m.

It is understood that the Ministry of Defence is negotiating with Marconi Space and Defence, a subsidiary of the General Electric Company (GEC), over the provision of a Mark I terminal for a number of ships, which will progres-

sively replace the Mark I systems.

The system, known as SCOT, is still being developed. Dr. John Gilbert, the Defence Minister, said yesterday it would make the UK communications system compatible with those of NATO and the U.S. Navy. SCOT will allow more efficient tracking of enemy aircraft and submarines. It will operate through the MARISAT maritime satellite network.

Continued from Page 1 Times

works yesterday, but that they would be unable to do so subsequently. The police, it said, advised that attempts to produce the newspaper would lead to violence.

A spokesman for TER Drucker said there was a crowd of 300 outside the print works and many were Turkish. He had been told by the police that there were also a number of known Communist activists in the group. About four policemen were on duty.

He confirmed that it was The Times which had decided to call off the print run. "We were prepared to go ahead and our workers supported us. We had printed about 300 copies when The Times called off the run," he said.

According to The Times management, plans to produce the European edition in the Frankfurt area have now been abandoned, but Mr. Rees-Mogg did not rule out attempts to print the edition elsewhere in West Germany. He deplored the fact that a magazine with a world-wide circulation could be prevented from publishing by threats of "criminal violence."

Inflation accounting

In other ways the new draft takes the current cost accounting method of adjusting for inflation a good deal further. The key development is the "monetary working capital adjustment" MWCA for short.

This charges the current cost profit and loss account with the cost of maintaining working capital in current terms, instead of just maintaining stocks and assets—as in the "Hyde Guidelines."

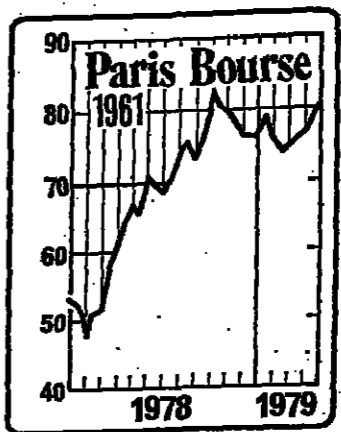
The additional element in the MWCA is a correction for the inflation effect on debtors less creditors. The logic of this is that a company loses from lending money and gains from borrowing.

Other developments from Hyde are that ED 24 calls for a current cost balance sheet and, for current cost earnings per share to be shown by listed companies.

THE LEX COLUMN

Translation snags for Loi Monory

The prospect of a Conservative victory on Thursday has already done a great deal for the Stock Exchange, but the party has not been short of advice on how it might do rather more. In particular, the rather vague promise in the manifesto that tax policies "generally will provide incentive to save and build up capital" has left open the question of whether some specific encouragements to the purchase of equities, on the lines of the Loi Monory in France, might be introduced here.



that figure, will take advantage of the now familiar scheme. Following what ought to be satisfactory company restatement, a flow of funds on a scale, mostly in the last year of the year before the tax de line, could push the market very strongly.

But the Tories should not miss the thinking of the Loi Monory law as being primarily a small shareholders' charter. The French Government, certainly anxious to wear a thrifty citizen's crown but its overriding intention to restore the financial health of the corporate sector by increasing the liquidity available in the Bourse, in London, is national case. How is so that there is no real shortage of equity finance, particularly public sector borrowing is reduced. The Loi Monory is—or not primarily—a gimmick British imitation just not be.

New issues were launched by a number of blue chip companies—Cle Générale d'Electricité, Cie Française des Petroles, Lafarge, Saint-Gobain, Pont-a-Mousson—which have some of the market army, although it is certain that the flows of "Monory money" into the market (FFr 0.5bn of it through special unit trusts) kept conditions firm.

This year may be different. The major banks and the Patronat (Employers' federation) are expecting a lower overall figure. Even if industrial investment is on a rising trend, new spending will be increasingly self-financed, as profit margins have recovered somewhat with the lifting of price controls and the fall in interest rates.

If there was a surge of spending by French companies, however, they probably would find themselves raising equity capital, if only because the controls on bank credit expansion put a fairly low ceiling on overdraft growth. Funds from long-term State lending institutions such as the Crédit National are not subject to the credit restrictions, but corporate direct access to the domestic bond market is becoming more difficult as the deficits of State bodies and the State itself crowd out private borrowers.

In the last few months the private sector's share of the primary bond market has fallen to about 10 per cent from 25 per cent.

But if company spending is as sluggish as the Patronat expects it to be, and as the dull order books of capital goods manufacturers suggest, then companies will not come to market for funds and the Monory money will go straight into the secondary market. The banks are expecting up to FFr 7bn this year on the assumption that every household with a taxable income of FFr 80,000 or more, and quite a few below

Today ED 24, the exposure draft on current accounting, is formally unveiled—with its introduction of MWCA, which is not a NAJ fighter-bomber but stands in the monetary working capital adjustment. This measure splits the gearing adjusted between that part which relates to operations and that which reflects the long-term financing of the business's worthwhile step. But there's a tricky problem of definition which will involve drawing demarcation lines in what is often arbitrary positions.

For the rest, the new professional standard—sensibly taking a step at a time—mostly deals with developments in presentation and coverage, compared with the interim Hyde guidelines, rather than with changes of concept. The Accounts Standards Committee still plenty of battles to win. It not even trying to get proper companies to comply—exemption which the shipper companies may envy. Questions of auditing and enforcement remain to be decided.

Meanwhile, congratulations are due to brokers W. Gresham & Co. for producing an early book of ED 24 company earnings calculations, a day ahead of Phillips and Drew, who have previously tended to monopolise the inflation accounts field. On average, ED 24 earnings per share (mostly for 1978) are estimated to fall 23 per cent. This agrees very closely with the 24 per cent shortfall to be published by and D tomorrow.

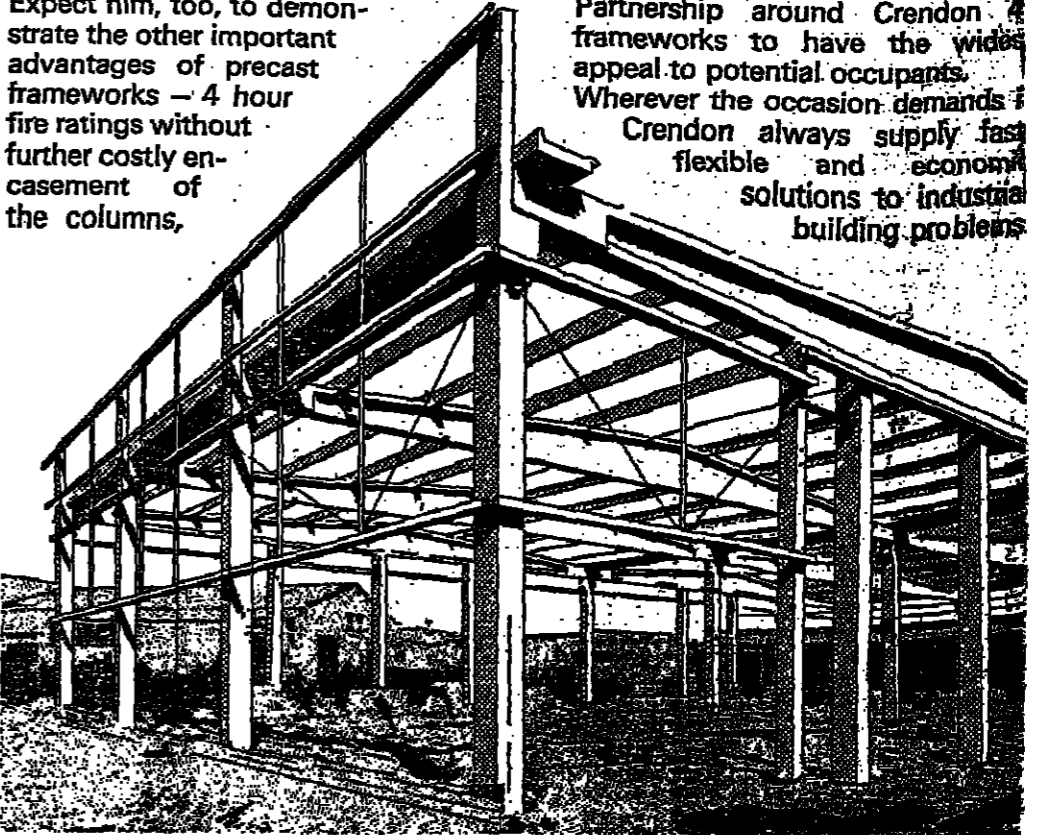
Weather

UK TODAY
RAIN, strong to gale force winds, cold.
London, S.E. England, Midlands, Showers, sunny intervals.
Max. 8C (46F).
E. Anglia, E. England, Cent. N. England,
Showers, bright intervals.
Very cold. Max. 4-6C (39-33F).
Cent. S.W. England, S. Wales, Rain, bright intervals, gales near coasts. Max. 8C (46F).
N. Wales, N.W. England, Lakes, I. of Man, S.W. Scotland, Glasgow, N. Ireland, Showers, heavy at times, bright intervals. Very cold. Max. 4-6C (39-33F).
N.E. Scotland, West of Scotland,
Windy showers, bright intervals. Very cold. Max. 2-4C (36-39F).
Outlook: Showers, bright intervals, very cold.

Table with 2 columns: City and Temperature (Y day, midday, V day, evening). Lists various international cities like Alaccio, Alaiora, Amstam, Athens, Bahrain, Barcelona, Beirut, Bern, Birmingham, Bonn, Bordeaux, Bratislava, Brussels, Bucharest, Cairo, Cardiff, Copenhagen, Cebu, Chicago, Cologne, Constanza, Corfu, Dublin, Dhaka, Edinburgh, Freetown, Frankfurt, Geneva, Glasgow, Harbin, Helsinki, Hong Kong, Hanoi, Havana, Islamabad, Johannesburg, Jakarta, Lima, London, Lyons, Manila, Mexico City, Moscow, Ottawa, Panama, Paris, Perth, Prague, Rome, Santiago, Sao Paulo, Seoul, Singapore, Stockholm, Strasbourg, Taipei, Tientsin, Tokyo, Toronto, Vancouver, Wellington, Warsaw, Zurich, etc.

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